

APPENDIX D

MANCHESTER CITY COUNCIL

CAPITAL STRATEGY

2009-2012

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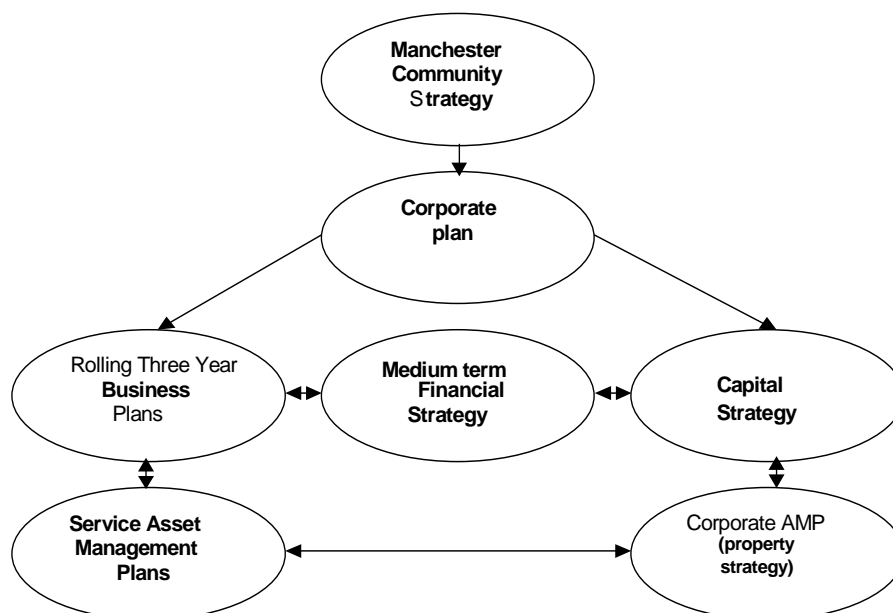
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1. CAPITAL STRATEGY

1.1 Background

This document updates the previous version of the Capital Strategy Report and shows how the capital investment programme is prioritised and delivered to support the strategic objectives of the Manchester Community Strategy and the corporate objectives of the City Council. Both the corporate property strategy and asset management plan continue to provide a focus for investment and the programme is influenced as ever by rolling three year business plans and the outcomes of revenue budget planning.

The process can be illustrated in the following way:



1.2. Strategic Overview

Over the last 10 years the Council and its partners have made major advances in pursuing the agenda for regeneration. Many areas of the city that suffer from acute economic and social deprivation have undergone a transformation to substantially improve their future prospects and long term sustainability. The Commonwealth Games gave a further stimulus to investment and development enhancing the city's reputation worldwide. At the same time, the city centre has benefited from major investment in new attractions and facilities and has become a location where people increasingly choose to live, work and play. The airport, universities and other major economic assets continue to expand and develop underlining Manchester's prominence as regional capital of the North West.

Levels of investment remain high and the pace of change has quickened but much remains to be done. Alongside our successes there are neighbourhoods that continue to experience acute levels of deprivation, low skills, poor educational attainment, high levels of ill-health and crime in the context of a poor physical environment. The challenge for Manchester, for the next decade and beyond, is to further improve the quality of life for all residents, increase their overall social and economic prospects, and enable them to participate fully in the life of the city. The purpose of the capital programme and the equivalent plans of our partner agencies are to meet this challenge through coordinated programmes of capital investment.

Economic Conditions

The City Council is working with its partners locally, sub-regionally and regionally and with the government to try to give individuals, communities and businesses the best possible support through the economic downturn, ensuring we are in a good position to take advantage of the recovery when it happens. This means taking a flexible, tailored, responsive approach, which changes as circumstances allow; whilst retaining focus on our long term vision and key objectives. This includes working closely with the new Homes and Communities Agency to support regeneration and the housing market. Flexibility needs to be retained within the Capital Strategy to enable the council to pro-actively respond to these pressures examples include:

- There is a risk that private sector building activity will cease on sites with partially completed development, completed schemes will stand vacant or work on sites with outstanding planning permission will not start at all. A Site Appraisal Group is looking proactively at sites and considers most apt interventions to progress. This work covers National Affordable Housing Programme schemes, Housing Market Renewal schemes, key regeneration initiatives and market schemes and will allow prioritisation of support through an options appraisal process. Initial meetings have identified a list of potential schemes where intervention may be appropriate and project teams are being established to work up the detail of bespoke packages of assistance for discussion with the Homes and Communities Agency.
- Officers are working with the new Homes and Communities Agency and others to ensure that the city makes the most effective use of Government's housing market package. Activity includes City Council feeding into bids to the clearing house and HomeBuy Direct to ensure a strategic fit. Manchester has made an expression of interest in fast tracking the Government's Mortgage Rescue scheme to keep residents in their homes, initially to support the case for enhanced advice services.
- The government has announced that it will bring forward £3bn of capital spending from 2010-11 into 2009-10 and 2008-9 for housing, education and transport and other construction projects. As above, at the request of the Joint Economic Commission (JEC), officers have submitted a list of 8 priority housing schemes for potential support by the Homes and Communities Agency. In addition, officers have collated a list of construction projects in Manchester, particularly in education and regeneration, that can be moved forward quickly. These have been proposed to the government, via Government Office North West.

There is also a direct impact on the amount of resources available to finance the capital programme. The Council is receiving reduced capital receipts from sale of its land, due to land values falling and there is evidence of purchasers not proceeding and developers withdrawing from schemes. We have responded to this situation by deferring some sites until there is market recovery and will be putting effort into getting sites and properties ready to bring to market at the appropriate time. The City Council has implemented a funding strategy to protect capital receipts so that the only disposals are ones where best value is achieved or where they are a key driver for regeneration. The use of prudential borrowing powers will be essential during this period to bridge the gap until the receipts can be realised.

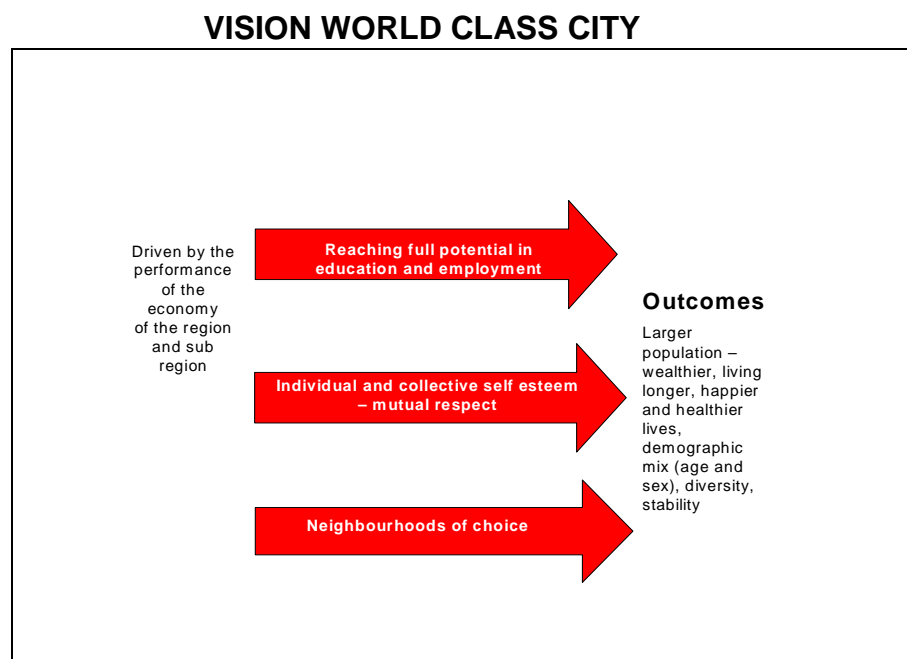
1.3 The Sustainable Community Strategy

The Manchester Way is the Sustainable Community Strategy 2006 to 2015 which has been produced by the Manchester Partnership (Manchester's Local Strategic Partnership). It is delivered through actions that will benefit everyone who lives, studies, works in, or enjoys our original modern city. It will improve Manchester's economic, social and environmental fabric.

The Manchester Partnership brings together the key stakeholders from the public, private, voluntary and community sectors. The Community Strategy sets a vision of Manchester as a world class city. By world class we mean that by 2015:

- All areas of the city will benefit from the city's success, every neighbourhood will be included.
- Manchester people will be wealthier, live longer, be healthier and enjoy happier lives.
- Children and young people will be safer, more resilient and fulfilling their potential.
- There will be more working families.
- Six out of ten homes will be owner occupied.
- Productivity (Gross Value Added per head) for Manchester will be greater than the UK average.
- Manchester will be in the top 10 of European business cities.
- Our population will have increased to 480,000.

The vision will be achieved by delivering the three spines of the Strategy:-



The priorities within each of the three spines are set out in Manchester's Local Area Agreement. This agreement with Government sets the performance targets for the city for the next three years.

The City Council's role is to provide the leadership to enable all private, charitable, voluntary, statutory and non-statutory bodies to achieve the Community Strategy objectives. Regeneration capital projects are particularly important to this process and they are guided by Strategic Regeneration Frameworks for each district of the city. Much of this joint working has an area-based focus and a separate performance plan is published for each ward annually.

The City Council also works with a range of public and private sector partners such as the Association of Greater Manchester Authorities (AGMA), the North West Development Agency (NWDA) and Homes and Communities Agency (HCA). Other examples of key strategic partners that contribute to the overall Capital Strategy are presented below:

1.4 Corporate Asset Management Strategy

The Asset Management Plan (AMP) is a strategic document outlining the basis upon which the authority will utilise and manage its property to maximise its input both into service delivery and financial return. The Council's property portfolio requires investment to ensure it is in an adequate state of repair and meets statutory requirements. Most services have property portfolios that are struggling to meet

effectively the needs of their services, either at a practical level or in enabling the co-location of services to provide a comprehensive access point for services to Manchester's communities.

Improving the management of land and building assets is a key corporate objective of Manchester City Council. Effective asset management will produce financial efficiencies in the long term. It will ensure that the property assets of the Council are appropriate to the needs of the community and users of Council services.

The Council has a corporate objective to deliver major service delivery transformation that will enable greater focus on frontline services. The Manchester Improvement Programme (MIP) is the instrument for delivering a range of changes that the Council and its departments operate. Its implications are radical and far-reaching and will need long term plans for investment in property assets.

In the area of Asset Management the Council is making important and wide-ranging changes which not only represent good practice in asset management planning but which are fundamental to the delivery of the Corporate Property Service Improvement Plan.

The introduction of the Corporate Landlord has fundamentally changed the way property is held and managed within the Council. This section now looks after all operational buildings with the exception of housing and schools. This will enable Corporate Property to take a strategic overview of the Council's property assets to enable these to be managed more effectively, producing cost savings and more efficient use of space.

This executive summary identifies the key relevant issues.

Asset Management Plan

Corporate Property Services is the Corporate Landlord and this principle has been embedded into the Asset Management Plan. The Corporate Landlord approach is recognised as best practice in Beacon AMP Authorities by the Audit Commission and will provide a number of key benefits

- Better premises for services - that are fit for purpose and provide a good physical environment for the delivery of front line services
- Allow services to focus on their core business and avoid duplication and confusion in property management and ensuring a consistent and corporate approach
- More efficient use of the portfolio as a whole giving rise to efficiency savings from reduced revenue costs and capital receipts from the disposal of surplus property
- More strategic overview for the AMP (Asset Management Plan) spend programme ensuring capital resources are spent efficiently and appropriately improving the standard and appearance of the premises
- Ensuring corporate standards are met including compliance with statutory requirements on fire safety, legionella and asbestos and assisting policy

development and compliance on issues such as DDA and environmental issues.

Improvements have been made in systems and processes supporting asset management. These include:-

- Development and publication of a Heritage Asset Strategy
- Development and publication of a Voluntary & Community Sector Strategy
- Improvements in asset records including:
 - Ordering a new Property Records System
 - Data cleansing of existing property data
 - Data collected on operational estate to establish the role of Corporate Landlord
- Improved assessment of the level of outstanding maintenance
- Implementation of new process for managing the maintenance of property
- Improvement to the manner and degree of reporting to both corporate and Executive Members

The asset management planning process has been reviewed and improved, particularly in the field of planned maintenance, and the challenge is to ensure that with other asset strategies, these continue to translate into a marked reduction in the level of backlog maintenance.

AMP Repairs Programme

As previously reported to members the AMP terms of reference have been readdressed to focus resource on the suitability and sustainability of the buildings that the Council own and provide a service to the public from. Condition surveys detailing the required health & safety and statutory requirements to these buildings have been completed and a programme of improvements is ongoing.

The AMP Board has been created to ensure that the programme of works is aligned throughout the process with working groups set up that report into the AMP Board. Update reports have been presented throughout the year to the Resources and Governance Overview and Scrutiny Committee ensuring members are kept up to date on the AMP repairs programme. The creation of the AMP Board has ensured that a single resource manages the review, design and subsequent works and review stages allowing a consistency in quality and the achievement of best value. The Treasurer is appointed as the senior owner of the AMP Board, and Councillors Priest and Pagel are appointed Board Members.

The AMP repairs budget, which includes AMP repairs, disability access and City Centre liabilities, has been combined into one budget, however reporting on spend is analysed into these three categories.

The AMP programme continues to address statutory health & safety requirements and to continue to ensure that it achieves best value is working with energy management to start in working toward achieving energy and carbon reduction targets

Data

During the past year the Council has been exploring appropriate benchmark indicators against which current performance and performance improvement can be judged. For operational buildings property performance data collection and analysis is being improved in 2 phases. Phase 1 will collect basic data based on national guidelines providing data on current property condition, running costs, extent of repairs, accessibility and environmental issues.

1.5 Major Programmes

The capital programme comprises a range of projects designed to support the Council's corporate and strategic objectives. Increasingly, these projects have been grouped into programmes of work to improve coordination and to optimise the use of external funding streams. A number of these programmes are being managed corporately to prioritise investment across the Council and to achieve efficiency gains through a joined up approach to procurement.

Given the size, scale and diversity of the challenges that confront the city, the difficulty of translating programmes agreed at a city level to drive forward the regeneration of the core of the City Region into local neighbourhood interventions has been overcome in Manchester by the establishment of Strategic Regeneration Frameworks (SRFs). The SRFs have been established at a "sub-city" or district level and, with five Strategic Regeneration Frameworks and the City Centre Strategic Plan, there is now complete coverage of the city. The Frameworks set out a broad vision and objectives for each part of the city aligned to the Community Strategy and are designed to:

- Play a vital role in integrating the physical, economic, social and environmental interventions required to deliver long-term change and an improved quality of life for residents;
- Set out the long term plans for neighbourhoods that enable all stakeholders to understand the sequencing of investment decisions and;
- Be instrumental in bringing public services together to drive up service quality, delivering on outcomes for the neighbourhood and planning all capital investment in order to reinforce and sustain the residential, commercial and retail markets in the district

The frameworks are the cornerstone of delivering the holistic, joined up interventions needed to support the regeneration of the city and the creation of successful neighbourhoods within it. Our major capital programmes as set out below are rooted within the SRF's - and the Local and Ward Plans that support them – and underpin the delivery of our ambitious regeneration agenda.

1.5.1 Housing –

The City Council's Housing Service delivers services to both public and private sectors and, through the Corporate Housing Strategy, provides a major contribution to the Council's wider regeneration agenda. The Housing Strategy sits firmly within the Council's Community Strategy.

The planned capital budget for 2009/2010 to 2011/2012 continues to build on the core aims and objectives, which are to:

- Deliver quality and choice in the housing market
- Create safe and sustainable communities
- Reduce inequalities
- Deliver modern public services

The Government's Communities Plan required that all authorities should determine, with tenants, how they would achieve the decent homes standard. If the authority's own resources were insufficient to achieve the standard, then a plan was required to demonstrate how this was to be delivered. In Manchester, this plan has developed into the Housing Investment Options Strategy, which to date has delivered Northwards Housing Trust (NHT), the City Council's Arms Length Management Organisation (ALMO) and three major stock transfers to new local housing companies, (Parkway Green Housing Trust, Southway Housing Trust and City South Manchester Housing Trust which were successfully completed in October 2006, November 2007 and June 2008 respectively). The completion of the transfer of the East Manchester properties is due in the early part of 2009 with the West Gorton transfer under review due to funding pressures. 660 properties in Ardwick and 1500 properties in Miles Platting are being improved and managed using the Government's Private Finance Initiative and the aim is to use PFI funding to improve and manage two further estates in Brunswick (900 properties) and Collyhurst (1500 properties).

The public sector programme continues to invest in projects that will contribute to achieving the decent homes standard and maximise the energy efficiency of our properties – such as modern heating systems, the installation of UPVC double glazed windows, insulation, re-roofing, rewiring, and the modernisation of old and inadequate kitchens and bathrooms.

During 2009/10 a review of the Northwards ALMO future options will be carried out. Decent Homes will be delivered for this stock by 2010/11, but the ongoing maintenance of the Decent Homes Standard is likely to exceed Government allowances through the MRA and there are a number of options for the ALMO such as transfer, becoming self financing, continuing as is or bringing back to authority management. The latter two options are likely to result in an additional call on capital expenditure from the housing capital programme.

The city's regeneration and place-shaping strategy is supported by the Housing Capital Budget. The programme focuses on improving quality and choice in the housing market, including access to affordable home ownership. Comprehensive

area-based programmes of home improvement, targeted clearance, tackling empty properties and addressing problems with the private rented sector are delivered within the Strategic Regeneration Frameworks and Local Neighbourhood Plans.

With support from other funding sources, including the European Regional Development Fund and Housing Market Renewal programme, the housing service also provides funding for home improvement agencies, improved energy efficiency in homes, and improved access to properties for people with disabilities.

At the end of the 3 year programme Housing Market Renewal Grant is likely to end. In preparation a strategy of service re-configuration, re-prioritisation and streamlining will be pursued to ensure that the service delivers priorities within available resources. The Housing Capital Programme will need to provide investment support to complete the housing market restructuring objectives. In addition there will be a move towards a reduction in the capitalisation of staff salaries so that capital works and staff cost apportionment is proportionally reasonable.

The capital programme includes support for PFI projects in the form of acquisition of residential and commercial properties; council tenant homelessness and relocation; and 'tying in' works to former Right to Buy properties. The works are expected to enable investment leverage of over £1bn.

The economic downturn is having an impact on the housing capital programme in terms of:

- land disposals which were assumed to support the programme are now generating depressed values. This will result in reduced resources for immediate reinvestment;
- a delay to regeneration and housing schemes which relied on open market sale contributions, with a consequent delay in delivering those strategic objectives; and
- a recognition of the economic downturn by Government in the form of an intention to increase and/or accelerate funding, from which Housing has identified private sector decent homes works as a priority.

In preparation for the Single Conversation with the newly-formed Homes and Communities Agency (HCA) and given the fundamental changes described above officers will commence a strategic review of the programme to ensure that:

- we have a clear strategy to maximise all available sources of funding;
- resources support the key priorities of the Strategic Regeneration Frameworks, neighbourhood plans and strategic development areas;
- opportunities to maximize employment and boost the economy are progressed;
- consideration is given to supporting the affordable housing programme including opportunities to pump prime funding with HCA resources to support and make intermediate housing deliverable;

- priority is given to protecting existing investments generally and to providing confidence in future investment;
- the ALMO options review determines the level of additional resources required to maintain decency and secures the most effective route for funding.

The final timing and value of capital funding resources may influence the timetable and delivery of Housing Strategic objectives.

The current Housing Capital Budget resources are:

| 2009/2010 £M's | 2010/2011 £M's | 2011/2012 £M's | Total £M's |
|-------------------|-------------------|-------------------|---------------|
| 96.030 | 78.733 | 34.885 | 209.648 |

Supported Housing objectives will be delivered by the Extra Care initiative.

1.5.2 Transport Investment and Services

The provision of transport has tremendous impact on the communities of Manchester. Well planned transport services contribute to the achievement of successful communities, healthier residents, more equality and social inclusion, sustainability and better local economies. Where transport fails, these aims, and those priorities set out in the Community Strategy and other key corporate documents, are put at risk.

The City Council's vision is to achieve a world class transport network; a network that allows all residents, businesses and visitors to access economic, learning and recreational opportunities across the city in a manner that is environmentally-friendly, safe and affordable.

Local Transport Plans

A Local Transport Plan is five-year integrated transport strategy, prepared by local authorities in partnership with the community, seeking funding to help provide local transport projects. The plan sets out the resources predicted for delivery of the targets identified in the strategy.

Manchester's transport strategy, policy framework and indicative investment programmes are set out in the Second Greater Manchester Local Transport Plan (LTP2) for the 5 year period 2006 – 2011. This document outlines the approach to transport planning being taken by the ten District Local Authorities and the Greater Manchester Passenger Transport Authority. LTP2 builds on the First LTP period (2001-2006) and the longer-term vision set out in the Greater Manchester Integrated Transport Strategy (GMITS).

The key strands of GMITS are to:

- increase public transport trips to centres

- better facilities to encourage short journeys to be made by foot or by cycle and
- land use planning and regeneration strategies to minimise trips to out of centre locations.

The prime objective of LTP2 is to accommodate the trips generated by the projected increase in jobs in the most sustainable way so as to improve social inclusion and protect the environment and enhance quality of life.

The Second Local Transport Plan policy framework is founded on 'shared priorities' agreed between central and local government:

- delivering accessibility
- tackling congestion
- safer roads
- better air quality
- other quality of life issues

Our progress in these areas is measured by a Greater Manchester level regime of local transport performance indicators and ongoing District reviews of LTP2 strategy and investment programme

Local Transport Capital Programme

Approximately £10 million annual Local Transport Capital funding for Manchester will continue to deliver a comprehensive investment of improvements to the transport network and neighbourhood district centres, including work on the carriageways, footways, street lighting, bridge strengthening and waterways.

Headline transport priorities include:

- Public transport led strategy including walking and cycling
- Reducing casualties from road traffic collisions
- Delivery of the South East Manchester Multi Modal Study (SEMMMS) implementation plan to address pressures on the transport network in the southeast area of the city region
- Maintenance of highway assets including bridges and footways
- Rationalisation and enhancement of signs within and around the city centre
- Introduction of safer and more efficient traffic control systems to replace obsolete traffic control equipment
- Effectively managing the transport capital programme and meeting LTP2 and local targets
- Continued development of the Regional Centre Transport Strategy and funding package

Asset Management Plans

We are undergoing a review of the service level frameworks as part of a wider corporate review through the Manchester Improvements Programme. Transport Services has undertaken the development of a Highway Asset Management Plan (HAMP) to inform maintenance policy and investment decision making.

The scope of this work will be broadened to produce a Transport Asset Management Plan (TAMP), to reflect the network management duties now placed on the City and in recognition that transport infrastructure is the City's largest capital asset.

The City has a PFI in place for the management of our street lighting stock since 2001.

1.5.3 Children's Services –

1.5.3.1 BSF / Academies - The government's £45 billion initiative to transform the way that secondary education is delivered will provide capital funding to remodel or rebuild every school in the country over the next 15 years through the Building Schools for the Future (BSF)/Academies programme. Manchester is investing £216 million in its BSF Wave 1 Programme which includes the rebuild/remodel of 16 schools (9 secondary and 7 Special Education Needs (SEN) secondary schools) plus ICT investment at Wright Robinson College.

The £170 million Manchester Academies Programme is for seven new Academies to be opened across the City. The intention is that all seven academies will be up and running by 2010. Four Academies, namely Manchester Enterprise Academy and Manchester Health Academy in Wythenshawe and Manchester Creative and Media Academies (boys and girls) in North Manchester will open in 2009. These academies aim to provide pupils with the qualifications and skills needed to make the most of future employment opportunities in the region's growth industries.

Manchester is preparing a further Outline Business Case for a BSF Wave 4 Programme for over £100 million which is due to be submitted in March 2009 for a further 9 schools (5 secondary and 4 secondary schools/provision) plus ICT investment at Chorlton High School and Parris Wood High School.

Manchester has therefore a combined Building Schools for the Future (BSF) and Academies programme with an estimated investment of £500 million in all the secondary schools.

1.5.3.2 Investment in Schools - Significant capital investment is earmarked for investment in other areas of service delivery for children via projects across the city to replace, extend and improve school facilities between 2009/10 and 2011/12 through the Primary Rebuilding Programme, the Manchester Partnership Programme and initiatives for extended schools and improved ICT provision. In addition individual

schools receive funding for capital investment through the schools devolved capital programme.

Plans to provide Local Authorities (LAs) with additional funding were first announced by the then Chancellor in his 2005 budget statement, in the form of a Primary Capital Programme (PCP). PCP underpins a broad government objective of renewing at least half of all primary school buildings by 2022/ 2023. LAs will receive PCP funding on an annual basis and are expected to add it to other sources of capital to deliver locally determined programmes which will, over time, create primary schools which are equipped for 21st Century teaching and learning, which are at the heart of community sustainability and which put high quality children's services within reach of every family living in the City.

Through PCP, LAs are encouraged to develop a long term strategic approach to capital investment, by drawing together planning and funding for the pre school, primary, secondary and SEN/ inclusion aspects of provision. The Children's Plan and the primary/ secondary Strategies for Change will provide the pedagogical and organisational framework for capital investment to be used to support genuine transformation in education.

Devolved Formula Capital (DFC) is an amount allocated each year to primary, secondary and special schools to be spent by them on their priorities in respect of buildings, ICT and other capital need. Priorities are set at school level, but should have regard to planned expenditure in a local authority's asset management plan, or equivalent voluntary aided plan. Through the LA's partnership programmes, schools are able to use DFC to attract additional funding from the LA, to carry out larger/ more expensive capital projects. This joint funding approach benefits schools directly and ensures that LA AMP identified priorities are met.

Modernisation and basic needs funding is allocated once every three years to LAs by the DCSF, for use in delivering strategic objectives identified through the AMP process (e.g. bringing accommodation up to date to help improve standards of achievement) or through school organisation reviews (e.g. to provide additional places). Modernisation is allocated to LA's on a formula basis that takes into account both building need and pupil numbers. It can be joined up with any other resource available to the LA which can be spent on capital, and is used in accordance with each LA's asset management plan.

1.5.3.3 Sure Start - Phase 2 of the Sure Start Children's Centres capital investment programme was completed in March 2008. A further phase of capital investment for Sure Start of almost £2m was secured for 2008/09 to 2010/11 and proposals are being drawn up and prioritised accordingly. This programme is being delivered alongside the Quality and Access (Q&A) Programme for which capital resources of over £6m for public and private sector providers have been made available by Government over the same period. The Q&A grant is to be used to:

- Improve the quality of the learning environment in early years settings to support delivery of the Early Years Foundation Stage (EYFS), with a particular emphasis on improving play and physical activities; and ICT resources.

- Ensure all children, including disabled children, are able to access facilities.
- Deliver the extension to the free entitlement offer for 3 and 4 year olds including increased flexibility for take up of the offer by meeting needs for additional space or facilities this may create.

The process of joining up planning and funding across sectors is already taking place. Primary and Sure Start funding have been joined up, to deliver a brand new, fully integrated 420 place primary school, with a 60 place nursery and a Sure Start facility. Immediately adjacent is a brand new health facility, funded by the Health Authority.

1.5.3.4 Youth - The Youth Capital Fund is part of the Government initiative relating to Youth Matters. Manchester has been allocated £298k per annum for 3 years. It complements the overall objectives of the Children's Services accommodation strategy and furthermore encompasses the Children and Young People's Plan. The Youth Capital Fund will enhance and facilitate proposals submitted from young people themselves under the Youth Opportunities Fund (£519k for 2008/09 and £694k per annum for 2009/10 and 2010/11). This unique project offers opportunities for young people to develop and enhance provision for their use. Young people aged 13 - 19 years old are able to apply for these funds and more importantly the allocation of the funds will be decided by them through a managed process. Young people will be able to bid for a range of projects. These projects could involve sports, drama, IT and website development, refurbishment and enhancement of existing provision for young people. Importantly, these projects will be determined by young people themselves, therefore meeting the outcomes of Youth Matters.

In addition to this, further capital funding of £452k has been allocated under the Youth Capital+ scheme. This will be used to develop youth facilities in Newton Heath and as stated above this has been done in conjunction with the youth in the area.

1.5.4 Cultural Services –

Within the Cultural Services' portfolio of buildings and land are a significant number of the city's most treasured heritage buildings, parks, heritage listed furniture and artefacts. The challenges of major schemes of restoration and refurbishment have had to be set against other priorities to provide modern, relevant services in local communities including new libraries, sports and leisure facilities.

Significant partnerships, most notably with the Leisure Trust, Sport England and MANCAT (now Manchester College) have ensured that City Council investment has been significantly enhanced by external funding secured through such partnerships. New sports and leisure provision, new and refurbished library services have been delivered as a result. Ongoing investment through the capital programme in the city's parks have seen the numbers of parks awarded Green Flag status grow from one in 1999 to 27 in 2008, more than any other local authority in the country.

Manchester City Galleries provides a leading Gallery service within the UK contributing to education regeneration and tourism. Its capital programme provides the necessary investment to support the delivery of Manchester City Galleries 2009/12 Business Plan objectives.

The completion of the scope of the Expansion Project, in particular the relocation, display and interpretation of the City's nationally significant collections, will enable the Service to maintain the high quality Manchester Art Gallery site as a flagship city centre venue with an international reputation

The investment in the development of the International Centre of Excellence for Textiles/Fashion will maximise the potential of the Gallery of Costume to engage individuals, schools, the community, MAES and higher education to stimulate creative practice and pride in achievement.

The Library and Information Service delivers a wide range of leisure, cultural, learning and information services and opportunities to residents, businesses and visitors. The service seeks to build on the transformational change delivered over the past five years modernising the library estate through a programme of refurbishment and new buildings. The City's library strategy outlines an ambition to, 'replace every community library in the City within five years as well as a major refurbishment of Central Library and the Archive Service'. The strategy proposes a citywide District model with a range of district, community and smaller outreach libraries in each district, underpinned by the knowledge and expertise of Central Library and a virtual web based 24 hour library. Libraries are to be co-located with other partners including health, the Manchester College and Academies.

The refurbishment of Central Library is proposed as part of the wider Town Hall Strategy to include the relocation of the Library Theatre and the creation of a new state of the art Archives Centre.

To date, nine libraries have been funded and there are emerging plans for the next five. There is a need now to plan the final phases and to identify how much funding will be required from the City to complete the delivery of the strategy. The Library Theatre, currently located within Central Library is looking to relocate as part of the Central Library Refurbishment Project as there is no capacity within Central Library for the theatre to expand. Work to identify the options and costs going forward has been commissioned and will report in April 2009.

Leisure Services are responsible for the strategic and operational management of indoor leisure (through a number of Trusts) sports development and sports events, community activity, parks and outdoor leisure facilities. The service makes a strong contribution to the City's priorities through the delivery of a clear sports and physical activity policy that gives every child and adult the opportunity to become involved in sport and healthy lifestyles and a parks strategy that strives to provide safer and high quality neighbourhood spaces for people to own and enjoy.

Leisure Services' proposed capital programme 2009/10 to 2011/12 will support the continued physical and visual development of parks and sporting facilities in the City,

which aligns and assists with the delivery of department's key business plan objectives. The BMX / Velopark development at Sportcity and the restoration of Heaton Hall are corporate projects, with Leisure Services supporting a cross-departmental approach towards project delivery.

Leisure's capital programme priorities are the following projects:

- Restoration of Alexandra Park.
- Ronald Johnson Playing Fields.
- Parks Development Programme. This programme will provide improvements to infrastructure, playgrounds, sport/visitor facilities and allotment provision.

1.5.5 Customer Services –

A customer service centre within the refurbished Town Hall Complex in line with the customer strategy will provide improved access to services in an environment that is designed around the needs of the customer.

1.5.6 Neighbourhood Services -

Neighbourhood Services are responsible for delivering high quality, locally responsive and coordinated services including Environmental Services, Regulation and Enforcement, Private Sector Housing and Trading Services, Adult Social Care and Library and Leisure Services (referred to in the Cultural Services section above). A key aspiration for the service is to deliver safe and clean local neighbourhoods that residents feel part of and proud of, including a vibrant and dynamic City Centre for both residents and visitors.

Waste Strategy - Funding is required to finance the roll out of the waste strategy agreed by members following the extensive public consultation in 2008 to fund the purchase of the various types of waste containers required for the new service roll out.

Public Realm –

- Investments by the Council and Partners continue to support the creation of safe and sustainable communities. Partnerships primarily with Red Rose Forest, Newlands and the NWDA have lead to investments which have resulted in significant improvements in previously poor quality, under used green space.
- Investments in the city centre public realm to upgrade our infrastructure.
- Our priority is to ensure that all our public open spaces feel welcoming and safe. CCTV represents a cost effective way of achieving the feeling of safety.

Trading Services proposed capital programme 2009/10 to 2011/12 will support the continued physical and visual development of the City's markets and cemeteries. .

The service priorities are:

Bereavement Services: A three year programme of road and pathway surfacing programme that has been prioritised based on condition surveys and usage. Improvements may lead to increased revenue to the trading account and also support the Service's ambition to achieve Green Flag, World Class Service and ICCM Charter status.

Markets: Firstly a project to upgrade and re-locate Wythenshawe Market as the first stage of the regeneration of Wythenshawe District Centre in line with the 10-year master plan. Secondly a project to demolish and rebuild, in modular format, the Church Street Market, which is adjacent to the Arndale Centre and is a prime gateway to the Northern Quarter. Both of these schemes support the City regeneration agenda and will improve the quality of markets to local communities and visitors to the City.

1.5.6 Neighbourhood Funding Strategy -

The Council's Neighbourhood Funding Programme identifies the capital and revenue investment priorities in local communities identified by elected members. The pilot Neighbourhood Funding Strategy (NFS) was launched in July 2007, with the following objectives:

- to support the ward representative role of elected members in influencing the whole of budgets through ward co-ordination; and
- to enable neighbourhood priorities to be reflected in mainstream budgets and business plans.

The scheme applies to all Council services and partnership activity relevant to neighbourhood priorities. Hitherto, over £3m of neighbourhood investments have been identified for the capital programme.

1.5.7 Capital Programme Funding Strategy -

As a result of the economic downturn the City Council has implemented a funding strategy to protect capital receipts so that only essential disposals or ones where best value is achieved are completed. The City Council intend to use prudential borrowing to remove any uncertainty about capital resource availability.

In recognition of the pressures on the local construction industry in particular the City Council is also examining ways in which the capital programme might be accelerated and is engaging Government in dialogue as to how any accelerated programmes might be funded. In addition the acceleration of the programme could generate best value for the City Council - increased market competition for work could result in reduced procurement costs.

2. CAPITAL BUDGET OVERVIEW

2.1 The Capital Budget 2009/10 to 2011/12

The capital programme is designed to support the Council's strategy, aims and objectives by providing for new or improved services and other improvements. To deliver the programme however, the City Council must identify and secure enough resources to pay for each project in the overall programme. There is also a need to recognise that the Council retains sufficient capacity to address any capital investment requirements that have not yet emerged.

The planned programme 2009/10 to 2011/12 is estimated to cost £788 million. Projects due to start in 2009/10 will be progressed to conclusion but the timing of the availability of resources could influence some start and completion dates. In recognition of the economic downturn strategic decisions have been made to revise the capital disposals programme and to cover any potential funding gaps by the use of prudential borrowing.

The total spend in 2009/10 is estimated to be £364,146,000. Resources available to fund the programme are expected to be:

| Resources for 2009/10 | '£000 |
|------------------------------|----------------|
| Supported Borrowing | 39,687 |
| Unsupported Borrowing | 13,378 |
| Grants | 248,779 |
| Contributions | 3,628 |
| Capital Fund | 9,327 |
| Capital Receipts | 32,500 |
| Revenue | 16,847 |
| Total | 364,146 |

The summary capital budget for 2009/10 is as follows:

| Service Department | £000 |
|--|----------------|
| Housing | 96,030 |
| Children's Services - Education | 186,399 |
| Children's Services – Children's Social Care | 4,860 |
| Adult Social Care | 5,700 |
| Transport | 20,920 |
| Chief Executive's (inc grants and regeneration) | 19,660 |
| Corporate Services (including corporate asset programme) | 23,394 |
| Environmental Services | 3,107 |
| Libraries and Theatres | 3,667 |
| Manchester City Galleries | 235 |
| Manchester Leisure | 174 |
| Total | 364,146 |

2.2 Revenue Implications of Capital Investment

The Council has strengthened the links between capital and revenue by merging the budgetary process and timetable. Service delivery strategies and asset management plans identify the need for capital investment to help maintain and improve the quality of service to the public. Particular attention is given to the revenue implications of capital investment and are considered in the decision making process to ensure the long term affordability of capital investment proposals, including life cycle costs. The Gateway scrutiny system for capital bids ensures that any significant revenue implications are identified at Gateway 3 (formal capital budget bid request stage) and further checks are instigated at Gateway 5 immediately prior to project delivery. There is full budget provision for the revenue implications of the three year capital programme 2009/10 to 2011/12.

It is recognised that asset solutions are interchangeable between capital and revenue budgets, but obviously make demands on both.

2.3 Prudential Borrowing

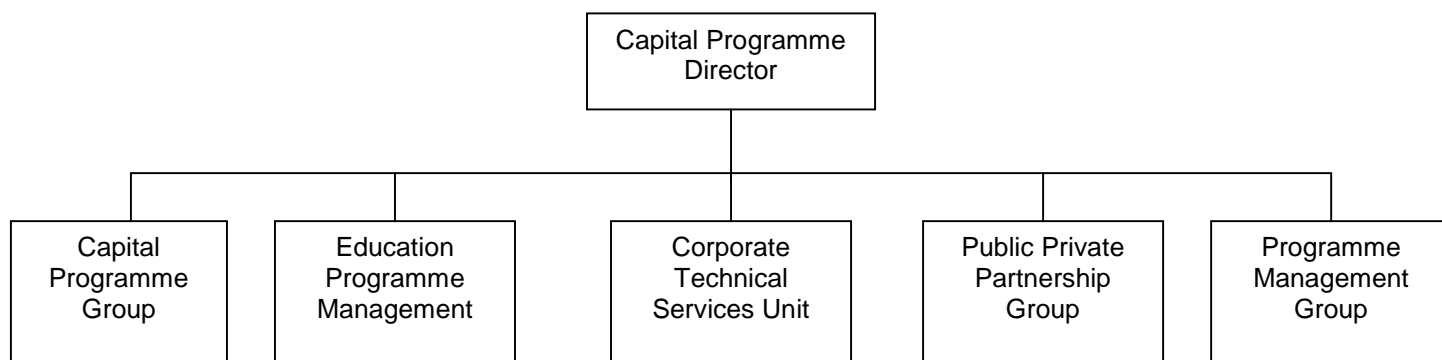
The Council has an option to undertake 'prudential' borrowing provided that the revenue costs of servicing the debt (interest charges and annual provisions for the repayment of the loan amount) are affordable both in the short term and long term. Prudential borrowing is advantageous for projects that generate savings or additional income greater than the annual cost of financing the amount borrowed (spend to save). It also offers an alternative source of finance for some of the Council's outstanding investment needs – provided that the revenue costs of financing the loan are affordable.

The national economic downturn has required the City Council to consider the use of prudential borrowing to ensure that capital investment continues at the required level. There is adequate provision within the revenue budget to fully finance the proposed levels of prudential borrowing.

3. Delivering the Capital Programme

3.1 Organisational Change

Since 2002 the Council has introduced a new approach to management of its capital programme in order to achieve best value and bring greater surety to the delivery process. A new unit (the Capital Programme Division) has been created within Corporate Services with an expanding remit covering strategic planning, procurement, partnerships and project/ programme management. The Capital Programme Director reports to the City Treasurer and is responsible for these services (illustrated below).



The Capital Programme Group continues its long term strategy set out in four phases to support delivery of the programme through best practice and these are set out below along with the strategy for procurement to achieve best value developed by the Technical Services Group and new reporting procedures to monitor overall performance.

3.2 The 'Manchester Method' (Phase 1)

The Capital Programme Group's first major challenge was to introduce a generic process for delivery of capital projects based on best practice (Prince2) that could be adopted by all service departments. This approach is now known as the 'Manchester Method'.

The Manchester City Council (MCC) Project Management Handbook was first published in 2003, subsequently updated in 2007 incorporating an enhanced section for communications and inclusions from MCC Internal Audit Section. The handbook

has been subject to a further review and in 2007 version 3.0 was released which incorporates some change management elements after consultation with the Manchester Improvement Programme (MIP). The selection of a new training partner is now complete and the contract was let to QA-IQ Ltd. The courses remain over subscribed and the demand is high. Many of the initiatives of the capital programme approach have been implemented on a regional and national basis.

3.3 MCC Gateway Review (Phase 2)

The Gateway process is now well established within MCC and provides an enhanced level of scrutiny to the capital programme. The Gateway process is managed and monitored by the Capital Programme Group who have developed a set of generic templates for each stage. MCC Gateway was audited in 2007.

The Gateway is intended to provide strategic, operational and financial scrutiny of the capital programme introducing location appraisal for the first time.

The Gateway process embraces the project lifecycle from mandate to project closure and joins up existing appraisal functions involving the right people at the right time adding value to existing procedures. It is designed to encourage early submissions to a review group (Gateway 1) and will be followed by thorough project appraisal via a scrutiny panel (Gateway 3). Projects and programmes will also be reviewed at completion to confirm effective closure and examine lessons learned (Gateway 6 and 7). The process will be expanded to include benefits realisation post completion and enhanced asset management coordination on project closure. A closure group has been established to monitor timely and effective project closures. This group will provide quarterly closure status reports for the Capital Programme Board

Gateway is fully compatible with the MCC Project Management Method and consistent with the National Gateway process.

The scrutiny process is intended to be flexible and can be refined further to include central government initiatives where appropriate.

3.4 Project Management Software (PMS) (Phase 3)

The Project Management Software system has been introduced to help manage the delivery of the capital programme. The PMS was rolled out to all service departments during 2007. The quality review of PMS indicates that 96% of the original specification was met.

PMS 1 has now been rolled out across MCC. Further work is continuing to include links to SAP.

3.5 Project Management 'Centre of Excellence' (Phase 4)

This management of Phase 4 has now passed to the senior capital programme manager. The Capital Programme Group will continue to support development of initiatives.

3.6 Procurement Strategy

The Council has responded positively to the Gershon Report and the National Procurement Strategy. Its approach to procurement has been reviewed and where necessary refocused to achieve best value. The emphasis now is very much on coordinated programmes of work rather than a collection of separately managed projects.

The procurement strategy has delivered projects with cashable savings on tendering and procurement costs in the order of:

- Construction frameworks: 1 – 2% per project
- Consultancy frameworks: Commissioning process savings of approximately £2000 per project
- Mini-consultancy framework: Commissioning process savings of approximately £1000 per project

There are fewer delays (especially in the context on construction frameworks) and 95% of capital projects now finish on time.

Opportunities to deliver new investment via PFI and PPP agreements have also been embraced where this procurement route offers value for money. The Public Private Partnership Group based in the Capital Programme Division is closely involved in all such initiatives and leads on delivery of the BSF programme.

Selection of contractors is now firmly based on best value criteria rather than the lowest price tender returned. In addition, to improve the efficiency of the procurement process, a number of framework agreements are already in place.

The Council is seeking further improvements in quality and performance and the procurement team continues to work closely with the Centre for Construction Innovation based in central Manchester and the Regional Centre of Excellence (RCE) in Tameside.

3.7 Monitoring Performance

Much has been achieved over the past two years but it is important to set a baseline from which to improve still further. From inception the Capital Programme Division has adopted a number of key indicators (KPIs) to assess its own performance and measure delivery of the capital programme particularly in terms of time, cost and quality.

The Capital Programme Group collects information on 5 KPI's covering project management and project delivery that are reported quarterly to the MCC Capital Board. In addition, the Technical Services Group monitors and reports on 8 KPI's related to procurement that are beginning to demonstrate the strengths and weakness of the framework agreements.

Performance measurement enables proactive management of the capital programme and provides an opportunity to forecast expenditure and where possible reallocate funds ahead of year end to reduce slippage and maximise service delivery improvements for the people of Manchester. This review and forecast approach should be constantly developed it may be possible to recognise a number of programmes/projects to be accelerated into the current year if the slippage is such that it can be utilised in this way

The Red Amber Green (RAG) reporting process has been successful giving an early warning status on progress, cost and risk on a project-by-project basis. This year the monthly RAG Report has been further defined to report the financial status of project against the budget the RAG Reporting process will be developed further for the Project Management Software to enable rolled up reporting at Programme and Project levels.

3.8 Regional and National initiatives

The Council has a broad commitment to support and share information and best practice with other local authorities and government agencies in particular the Association of Greater Manchester Authorities (AGMA).

The Capital Programme Group has undertaken some work for the Right Track project which is an information and support service for all authorities in the north west region. The initiative is funded by the North West e-Government Group (NweGG) and the North West Improvement Network (NWIN). MCC has developed a Skills Matrix for development of project managers. This work was commissioned by Right Track North West.

The group is also involved in a Core Cities initiative to improve delivery of programmes and projects by sharing experiences and processes. Core Cities have agreed in principal to undertake a maturity assessment based on the Office of Government Commerce model P3M3.

The Capital Programme Division continues to share best practice with other authorities and with central government initiatives. The local authority toolkit for project management will now be promoted regionally through the Improvement and Development Agency for local government (IDeA). The North West IDeA has already contacted the division with a view to updating the elements of the toolkit which were developed by MCC.