

**Manchester City Council
Report for Resolution**

Report To: Executive – 28 July 2010
Subject: Capital Programme Monitoring 2010/11
Report of: The City Treasurer

Summary

This report

- (a) requires members to agree the revised capital budget 2010/11 taking account of changes between capital budget formulation and the final outturn 2009/10, and
- (b) informs members of the latest estimates of forecast spend and resources for the 2010/11 capital programme and explains the major variations to forecast spend since the capital budget 2010/11 was agreed by Council 3 March 2010.

Recommendations

The Executive is requested to:

1. Note the changes to the forecast spend 2010/11 attributable to movement in the programme that occurred after the 2010/11 capital budget was agreed by Council in March 2010.
2. Agree that the capital budget 2010/11 be amended to reflect the above movement in the programme and note that the capital budget 2010/11 as amended will be £515.193m an increase of £61.413m over the original approved capital budget. Note that this monitoring report reflects the first review of the revised capital budget 2010/11 and the latest forecast capital outturn is £494.557m.
3. Note the inclusion of approved increases to the capital programme since the previous monitoring report in March 2010.
4. Note that capital resources will be maximised and managed to ensure the capital programme 2010/11 remains fully funded and that no resources are lost.

Wards Affected: All

Community Strategy Spine	Summary of the contribution to the strategy
Performance of the economy of the region and sub region	The capital programme contributes to various areas of the economy including investment in public and private sector housing, education and children's social care, transport infrastructure, major regeneration activities, environmental, cultural and leisure services.
Reaching full potential in education and employment	The capital programme includes substantial investment in education and also provides opportunities for the construction industry to bid for schemes that could provide employment opportunities at least for the duration of contracts.
Individual and collective self esteem – mutual respect	The capital programme includes investment in adult and children's social care, education, housing and the environment, cultural and leisure services, all of which contribute towards this community strategy.
Neighbourhoods of Choice	Investment in all areas of the capital programme contributes towards this community strategy, notably the investment in sustainable and affordable housing, building schools for the future, transport, environmental and major regeneration programmes.

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

- Equal Opportunities Policy
- Risk Management
- Legal Considerations

Financial Consequences – Revenue

Provision has already been made in the revenue budget for payments in respect of borrowing requirements for the capital budget 2010/11.

Financial Consequences – Capital

Appendix 2 shows the latest forecast spend for 2010/11 is £494.557m.

Full funding cover for this spend is in place and includes the approved additions to the capital budget of £41.517m.

The City Council will endeavour to maximise spending on the programme in 2010/11 but some projects and their sources of funding may carry over into 2011/12.

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Attachments

Appendix 1 – Approved budget increases to the Capital Programme
Appendix 2 – Changes to departmental forecasts of capital expenditure 2010-11
Appendix 3 - Summary 3 year programme 2010/11 to 2012/13

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 10 February 2010 (Budget 2010/11 – 2012/13)
Report to Council 3 March 2010

Introduction

- 1.0 This is the first monitoring report on the capital budget 2010/11 that was approved by the Executive on 10th February 2010.
- 2.0 The purpose of the report is to:
 - Inform members of the latest departmental estimates of spend for 2010/11 compared to the approved Capital Budget 2010/11
 - Confirm that there are adequate levels of resources available to finance the programme

Capital Budget

- 3.0 The original approved capital budget for 2010/11 was £453.780m.
- 4.0 The capital budget has now been updated to take into account transfers from 2009/10. These total £19.896m and bring the 2010/11 capital programme to £473.676m.
- 5.0 In addition to this revised figure there have been a number of in year approved increases to the budget, previously reported to the Executive, totalling £41.5m. They are set out in Appendix One.
- 6.0 The first forecast report of 2010/11 for the Capital Programme indicates a forecast programme of £494.557m. This is largely due to the rephrasing of schemes into 2011/12 and the potential removal of schemes due to reductions in funding allocations. The reasons for this are outlined below. There is a more in depth analysis in Appendix 2 and Appendix 3 shows a revised estimate of the capital programme for the period 2010/11 to 2012/13.
 - Increases (Other): £203k (+)
 - Reductions (Other): £116k (-)
 - Transfers: £1,200k (-)
 - Items falling out of the capital programme: £6,593k (-)
 - Net slippage to 2011/12: £12,930k (-)

Table 1: 2010/11 Capital Programme

	Original Budget £'000	Transfers From 2009-10 £'000	Approved Budget Increases £'000	Variations £'000	Revised Capital £'000
Housing (HRA)	30,807	859	689	0	32,335
Housing (Non HRA)	48,370	531	0	0	48,901
Children's Services	234,929	6,947	1,998	-6,458	237,416
Adults	7,410	884	0	-130	8,164
Transport	24,606	2,245	65	-2,246	24,670
Chief Executive	57,839	-256	22,382	-6,915	73,050
Corporate Services	45,155	5,609	16,225	-4,167	62,822
Neighbourhood Services	4,664	3,077	158	-720	7,179
Total All Blocks	453,780	19,896	41,517	-20,636	494,557

Capital Programme Variations

- 7.0 The Housing programme is currently under review and will be reported in October.
- 8.0 The Children's Services forecast has reduced by £6.5m. There is slippage into 2011/12 of £5.6m mainly due to slippage on Pike Fold Primary works of £3.8m because of extensive ground investigation works prior to final design sign off and £1.9m slippage on the ICT Harnessing Technology due to delays in procurement and bidding arrangements. There has also been a £851k transfer from the closed school demolition budget in Children's Services to the Asset Management Programme within Corporate Services.
- 9.0 The Adult Services forecast has decreased by £130k due to slippage into 2011/12 on Whitebeck Court Extra Care project.
- 10.0 The Transport Programme has reduced by £2.2m with removal of schemes totalling £1.8m due to reduced allocation for Integrated Transport Minor works and £500k slippage on Burton Road Traffic Management into 2011/12 due to the consultation and tender process.
- 11.0 The Chief Executive's projection has reduced by £6.9m. Of this, £200k relates to slippage on the Maine Road development with the main movement of £6.7m on changes to New East Manchester (NEM) schemes.
- 12.0 Schemes totalling £4.8m have been removed from the NEM programme as a result of a reduction in NWDA grant allocation. The schemes removed include Arterial Routes, Gorton District Centre and Arc of Employment – Alan Turing Way. There is also £1.9m slippage into 2011/12 for strategic developments in NEM.
- 13.0 The Corporate Services projection has reduced by £4.2m with £350k net transfers from the Asset Management Programme (AMP) and £3.8m slippage mainly on the Town Hall complex of £3.6m.
- 14.0 The Neighbourhood Services projection has reduced by £720k; there is slippage into 2011/12 of £750k relating to Ronald Johnson Playing Fields. This is due to the estimated cost plan coming in over budget. Leisure Services are speaking with community partners to bring down the total costs whilst keeping all the components of the original scheme in place.

Capital Resources

- 15.0 A review of the capital programme is being completed to ensure capital resources required to finance the 2010/11 capital spend are in place and the future years programme is fully funded. Work will continue up to 31 March 2011 to ensure that the resources required to finance the capital programme are secured. Capital receipts (non-housing) for 2010/11 of £1.809m have been received in the current financial year. The City Treasurer will continue to evaluate the options available to the City Council and the final financing

package selected will reflect the funding combination that represents best value to the City Council overall.

- 16.0 The pressures on the capital programme over the next five years will be significant, particularly with the capital funding reductions that have been announced nationally. In response to these circumstances, a review of the capital programme has been commenced to identify which schemes remain uncommitted and to review in the light of the reductions in capital resources being faced.

Conclusions

- 17.0 The current review of the capital programme is intended to ensure that the capital programme will be fully funded. The City Treasurer will continue to manage the financing of the programme to ensure the final capital funding arrangements secure the maximum financial benefit to the City Council.

Contributing to the Community Strategy

(a) Performance of the economy of the region and sub region

The capital programme will deliver a number of projects that will offer permanent jobs. In addition it is likely to create temporary employment opportunities within the construction industry for the duration of contract work.

(b) Neighbourhoods of Choice

Many projects in the capital programme are concerned with creating a healthy and safe environment for users of Council facilities and employees. Investment in energy conservation and improvement to the highway network helps to improve the environment.

Key Polices and Considerations

(a) Equal Opportunities

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

(b) Risk Management

As a result of the national economic downturn the amount of usable capital receipts included in the resources calculation for the original capital budget is no longer achievable. In response to these circumstances the City Treasurer instigated a review of the whole capital programme in order to establish the most efficient and effective way to fund the programme. The review is ongoing.

Appendix 1: Previously approved increases to the Capital Programme

DATES OF APPROVAL	DEPARTMENT	SCHEME DETAILS	FUNDING SOURCE	2010/11 £000	2011/12 £000	2012/13 £000	FTR YRS £000	TOTAL £000
Mar-10	New East Manchester	Sportcity Remediation and site Servicing	ERDF	3,650				3650
Mar-10	New East Manchester	Sportcity Remediation and site Servicing	HCA	1,970				1970
Mar-10	New East Manchester	Sportcity Remediation and site Servicing	NWDA	1,969				1969
Mar-10	New East Manchester	Sharp Building - additional refurbishment	ERDF	2,400				2400
Mar-10	New East Manchester	Sharp Building - additional refurbishment	NWDA	2,400				2400
Mar-10	Chief Executive - Regeneration	Oxford Road Digitisation - additional requirement	NWDA	470	30			500
Mar-10	Children's Services	Closed School Demolition	Spend to Save	861				861
Mar-10	Public Sector Housing	Local Authority New Build Programme - Higher Blackley & Charlestown	Unsupported Borrowing	689				689
Jun-10	New East Manchester	Central Park South Remediation	NWDA	380				380
Jun-10	Corporate Services	Arndale Bridge	Contribution	325				325
Jun-10	Leisure Services	Chorlton Park	Big Lottery Fund	100				100
Jun-10	Leisure Services	Chorlton Park	MCC Contribution	10				10
Jun-10	Chief Executive	Co-operative Estate Redevelopment	Capital Fund	5,000	10,000	5,000		20000
Jun-10	Chief Executives Regeneration	Levenshulme Inspire	VAT refund	125				125
Jun-10	Chief Executive's Regeneration	West Indian Sports and Social Club	WNF	110				110
Jun-10	Children's Services	School Kitchens & Dining Rooms	DCSF grant	245				245
Jun-10	Children's Services	St Thomas Primary School	Contributions	59				59
Jun-10	Children's Services	St Georges Community Centre	Government Grant	793				793
Jun-10	Children's Services	St Georges Community Centre	Contribution	40				40
Jun-10	Leisure Services	Hollyhedge Park Drainage	Section 106	24				24
Jun-10	Children's Services	Primary Needs	Government Grant		808			808
Jun-10	Leisure Services	Blackley Forest Footpaths and Access Points	Government Grant	24				24
Jun-10	Chief Executive's Regeneration	North Manchester Metrolink station	Community Infrastructure Fund	3,908				3908
Jun-10	Transport	Bridge Assessment, Strengthening & Maintenance	Contributions	65				65
Jun-10	Corporate Services	Acquisition of Land at Spinningfields	Unsupported Borrowing	15,900				15900
			TOTALS	27,108	10,808	5,000	0	42,916

Appendix 2: Breakdown of changes to departmental forecasts of capital expenditure 2010-11

	Housing (HRA)	Housing (Non HRA)	Children's Services	Adults	Transport	Chief Executive	Corporate Services	Neighbourhood Services	Total all Blocks
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Original Budget	30,807	48,370	234,929	7,410	24,606	57,839	45,155	4,664	453,780
Transfers from 2009-10	859	531	6,947	884	2,245	-256	5,609	3,077	19,896
Approved budget increases	689	0	1,998	0	65	22,382	16,225	158	41,517
Revised Budget	32,355	48,901	243,874	8,294	26,916	79,965	66,989	7,899	515,193
									0
Variance 1 Forecast Spend	32,355	48,901	237,416	8,164	24,670	73,050	62,822	7,179	494,557
Variation	0	0	-6,458	-130	-2,246	-6,915	-4,167	-720	-20,636
Analysis of Variation:									
Increased Costs	0	0	0	0	0	203	0	0	203
Reduced Costs	0	0	0	0	0	-104	-12	0	-116
Unapproved Additions	0	0		0	0	0	0	0	0
Transfers between blocks	0	0	-851	0	92	-92	-349	0	-1,200
Schemes Removed from Capital Programme	0	0	0	0	-1,838	-4,785	0	30	-6,593
Transfers to 2011-12	0	0	-5,607	-130	-500	-2,137	-3,806	-750	-12,930
Exp Accelerated from 2011-12	0	0	0	0	0	0	0	0	0
Total	0	0	-6,458	-130	-2,246	-6,915	-4,167	-720	-20,636

Appendix 3: Summary 3 year programme

	2010/11 £000	2011/12 £000	2012/13 £000	Future £000	Total £000
Original Budget	453,780	211,283	81,363	27,584	774,010
Transfers from 2009/10	19,896				19,896
Approved Budget Increases	41,517	10,838	5,000	0	57,355
Forecast Variations	-20,636				-20,636
Revised Programme Total	494,557	222,121	86,363	27,584	830,625