

**Manchester City Council
Report for Resolution**

Report To: Executive – 24 November 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 in year adjustments, and
 - (b) informs members of the latest estimates of forecast spend and resources for the 2010/11 capital programme and explains the major variations since the previous monitoring report in July 2010.
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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 movement in the programme and note that the capital budget 2010/11 as amended is £399.763m.
 3. Approve the in year budget transfers between capital schemes to maximise use of funding resources available to the city council.
 4. Note the inclusion of approved increases to the capital programme since the previous monitoring report in July 2010.
 5. Note that the latest forecast capital outturn 2010/11 is £391,277m.
 6. 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.
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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

The latest forecast spend for 2010/11 is £391.277m.

Full funding cover for this spend is in place and includes approved additions to the capital budget of £4.764m since July monitoring report.

The City Council endeavours to maximise spending on the programme in 2010/11 there has been slippage into future years due to the re-profiling of schemes in line

with funding resources and revised delivery programmes.

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Attachments

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

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
Report to the Executive 28 July 2010

Introduction

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

Capital Budget

- 3.0 The Council manage a large and complex capital programme and have a good track record of delivery and robust procurement processes. However, there have been significant changes from the last capital monitoring report largely attributable to capital funding revisions and the movement of budgets on the BSF programme to match the latest project delivery timetable. Re-profiling in accordance with revised delivery plans is normal practice for a multi project programme and target opening dates for schools and academies remain unaffected.
- 4.0 The original approved capital budget for 2010/11 was £453.780m. This has been revised to £399.763m taking into account approved in year budget increases, slippage from 2009/10 and re-profiling into future years. The figures are summarised in Appendix 1 and explained in more detail below.
- 5.0 Budget transfers are proposed between various schemes to help manage the capital programme within the available funding resources. All budget transfers for 2010/11 have been included in the latest scheme forecasts.

Capital Programme Forecast

- 6.0 The Capital Programme, in the light of reductions and ongoing uncertainty regarding funding, has been reviewed in recent months by Service Managers, Finance and the Capital Programme Group on a scheme by scheme basis. The latest forecast figures incorporate revisions due to funding reductions, budget re-profiling and identified savings.
- 7.0 The latest forecast for 2010/11 is £391.277m and actual spend to date as at 31st October is £158.896m. The variation between the current forecast and the forecast reported in July is summarised below. There is a more in depth analysis in Appendix 1 and Appendix 2 shows a revised estimate of the capital programme for the period 2010/11 to 2012/13.
 - Approved Budget Increases: £4.764m (+)
 - Scheme added back into programme £1.8m (+)
 - Net Increases / Reductions in cost: £0.392m (+)
 - Schemes falling out due to funding reductions: £3.886m (-)
 - Schemes falling out of the programme: £4.304m (-)
 - Budget Re-profiling: £107.256m (-)

- Accelerated Expenditure: £4.018m (+)

Additions to 2010/11 programmed spend

8.0 The Executive has approved further increases to the budget. Appendix 3 shows the estimated spend and funding profiles of these increases. The total additions to the capital budget since the previous monitoring report is £4.764m and £1.8m has been added back into the programme having been advised a strategic property acquisition scheme should not have been removed from the programme in the 2009/10 outturn report.

Cost variations 2010/11

- 9.0 There is a net increase of £392k across the capital programme due to:
- Private Sector Housing net increase of £332k due in the main to £162k East Manchester Alleygating scheme being added back into the programme and increased costs of £140k on Bowes Street scheme.
 - There has also been a £329k increase on Edison Street CPO due to additional legal costs.
 - These increases are offset by reductions in capital works costs on the following schemes: Crossley Works £150k, Longsight Library refurbishment £50k and North Manchester Metrolink Station £66k.

Schemes removed from the capital programme 2010/11

10.0 There is an overall reduction of £8.19m across the capital programme due to schemes falling out the Capital Programme.

Schemes falling out the Capital Programme due to funding reductions

- 10.1 The Children's Services capital programme included a number of schemes that were to be funded from external grant in 2010/11, where the funding has now been removed as part of the in year funding reductions. As a result the programme has been reduced by £1.919m. These include a reduction in ICT Harnessing Technology grant of £928k, Extended Services for Schools reduction of £275k and Sure Start Children's Centres grant reduction of £464k. As a result the ICT harnessing technology allocation to schools has been reduced and scheme specifications for Sure Start and Extended Schools have been reviewed and uncommitted resources totalling £103k for Sure Start schemes and the £71k Daisy Bank Children Centre quality and access scheme have fallen out. Fewer Playbuilder schemes will also be able to proceed following a £252k grant reduction, in addition the Playbuilder grant conditions have been amended, removing the ringfence conditions for the remaining allocation of £380k.
- 10.2 Department of Transport grant reductions have resulted in £1.7m falling out of the Integrated Transport Measures Minor Works programme. The main schemes affected are:
- Tuffley Road (Greenbrow Road), £81k;
 - A6 Stockport Road – Longsight and Levenshulme, £146k;

- City Centre Cycle Hire Project, £188k;
- Removal of the uncommitted allocation for Local Safety and Congestion Reduction, totalling £667k.

10.3 A reduction in The SEMMMS programme of £242k includes works on St Peter's Firbank Road estimated at £42k, £66k for BSF schools works (NEM Academy, Southern Cross Special School, St Agnes and Loreto R.C. High School) and removal of the uncommitted allocation of £122k.

Schemes falling out the Capital Programme

10.4 The capital programme approved by Executive in February included £15.7m unsupported borrowing requirement to fund the estimated deficit for the three year Housing programme and officers have continued to review the programme to bring it back into line with available resources. To date the following savings have been identified, reducing the unsupported borrowing requirement by £1.8m in 2010/11 and £733k in future years.

- Housing Market Renewal Programme (HMR) reduction totalling £606k in the main due to land assembly schemes falling out of the programme including Parkhill and Golden Lion Site, releasing HMR funding to fund other priorities within the approved programme.
- Private Sector Housing Programme reduction of £1.2m due to the following: Public Realm works to support the Fallowfield Triangle regeneration £300k, uncommitted schemes in Higher Blackley East (Walker Road regeneration) £284k, North Manchester Riverdale CPO £545k and the annual project feasibility budget of £75k.

10.5 Within Children's Services, schemes for Multi Agency Projects have been identified as savings following the review of the Capital Programme; further reducing MCC funding resource requirements in 2010/11 by £2m.

10.6 A review of the Adult Services capital programme has identified savings of £264k from the Adult Social Care Programme including Asbestos Removal budget of £100k, Learning Disability Adaptations to homes £81k and the Mental Health Support programme £83k also reducing MCC funding requirements in 2010/11. Future costs will be met via the Asset Management Programme

Revised spending profiles – budget transfers between 2010/11 and future years

Children's Services

11.0 There is a reduction of £107.256m in 2010/11 following re-profiling of the Capital Programme as a result of the impact of delays in funding confirmation, funding reductions, delays in capital work programmes and realignment of budget forecasts.

- 11.1 In Children's Services schemes have been re-profiled to reflect delivery timescales and slipped into future years if funding is still under consideration. This has resulted in £72.717m moving into future years with £47.2m moving into 2012/13; primarily due to the re-profiling of the Building Schools for the Future (BSF) and Primary School Rebuilding programme detailed below.
- 11.2 The BSF programme following review has been re-profiled resulting in £16.734m moving into 2011/12 and £39.6m into 2012/13. Re-profiling in accordance with revised delivery plans is normal practice for a multi project programme approaching £500m in overall value. The comparatively high level of re-profiling is due primarily to the delay in final business case funding approval on the following schemes: Southern Cross SEN £4m, Creative and Media Academy £34.8m and Inclusion Centres £5m. In addition there has been £12.5m slippage on the remaining programme as budgets have been re-profiled in line with the latest delivery plans which also reflect delays caused by awaiting confirmation of SEN strategy. The focus of the programme remains as always on ensuring that the programme is delivered within budget and schools and academies open on time, those intended to open in September 2012 are still being progressed so that they can be delivered to timetable, on the assumption that Government funding is secured in reasonable time. It is worthy to note we are one of a small number of authorities currently to have not had any grant reductions and have delivered schemes to date in line with delivery timetable.
- 11.3 There has been slippage of £13m on the Primary School Rebuilding programme due to delays in design and planning submission on the following schemes: Varna Street Primary £5.15m, Old Moat Primary £4.75m, and Pike Fold Primary £2.33m. In addition until the 2011/12 funding allocation is confirmed the remaining budget of £377k for schemes under consideration has been moved to 2011/12.
- 11.4 Schemes to improve school kitchens and dining rooms and additional basic needs have also been re-profiled in line with the estimated schedule of works resulting in further slippage of £3.7m into 2011/12. Finally in Children's Services St George's Community Centre scheme has been re-profiled following delays in design and with works due to start in early 2011, there has been £500k anticipated slippage into 2011/12.

Housing

- 11.5 Within Housing, schemes have been re-profiled and £9.689m moves into 2011/12. There has been £606k slippage on the HRA programme due to lower levels of compensation settlements than expected for home loss, resulting in £220k slippage, and delays in funding confirmation for external insulation work and schemes awaiting resident consultation resulting in £386k slippage for the Northwards programme.
- 11.6 On Private Sector Housing £9.083m is re-profiled into 2011/12. The regeneration works have been re-phased on Moss Side Bowes Street scheme resulting in £4.5m of works now being delivered in future years. More accurate

information regarding timescales of acquisitions for Miles Platting PFI land assembly is also now available and as a result £3.4m has been moved into future years. Finally, more detail on the Housing Market Renewal programme has led to more accurate profiling. This is reflected on the North Manchester Kingsley Avenue scheme re-profiling £318k to 2011/12.

Transport

- 11.7 The Local Transport Plan (LTP) has rolling programmes for minor transport works which improve highways around schools, traffic management, road crossings, infrastructure for cycling and local road safety. Following recent funding reductions, the programme has been re-profiled in line with 2010/11 funding resources resulting in £2.042m moving into future years. This is made up of £500k due to delays delivering schemes within Integrated Transport Measures; £700k from delays due to construction of Wythenshawe Bus Station; £500k of surfacing works to be done by Southway Homes and it will take place in 2011/12; and £335k slippage due to late approval of Planned Maintenance.
- 11.8 The non LTP programme has re-profiled £1.129m into 2011/12. This largely relates to Neighbourhood Funding Strategy schemes and the more recent decisions to approve the programme.

Chief Executives and Corporate Services

- 11.9 There has been slippage of £12.5m within the Chief Executive's Department.
- The following schemes being re-profiled due to delays in external funding approval: New Islington Public Realm – £400k and Co-op scheme – £5m.
 - The National Football museum scheme has also been re-profiled in line with the project plan and £4m spend is now forecast in 2011/12.
 - There has been slippage on BMX Public Realm of £300k due to delays in design of GMPTE works and ERDF approval.
 - Slippage of £1.710m due to delays in construction of the BMX Centre following asbestos removal, technical issues and delays in funding agreements with Sport England and NWDA.
 - The Central Park South Remediation scheme has also slipped £200k due to technical issues in construction which has led to member/public consultation.
- 11.10 The following Corporate Services schemes have slipped subject to the Corporate Property Review; Daisy Mill £954k and the Corporate Asset Management Programme £5.162m. Works to repair glass panels and refurbish walkways on Arndale Bridge have also been delayed and are set to begin in May 2011 resulting in slippage of £325k to 2011/12. Finally, the Town Hall Project has slipped £7m into 2011/12 following discussions with the contractor on the cashflow profile of the programme.

Acceleration from 2011/12

12.0 There is an increase of £4.018m in 2010/11 attributable to forecast spending brought forward from 2011/12, the major details being:

- Housing Capital Programme acceleration of £1.648m in the main due to acceleration on CPO programme of £1.056m including £500k for Collyhurst maisonettes and £496k for Fallowfield Triangle streetscape, acceleration of Citywide Equity loan products of £115k and on Walker Road scheme of £354k.
- Education Primary School Rebuild Capital Programme acceleration of £2.370m on Cravenwood Primary alterations.

Capital Resources

13.0 The capital programme review is ongoing 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.

13.1 Capital receipts for 2010/11 are currently forecast to be £2.183m (non-Housing) and £11.595m (Housing). 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.

13.2 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 schemes which remain uncommitted will be identified and reviewed alongside emerging priorities in preparation of Capital Programme 2011/12 to 2013/14.

13.3 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: Changes to departmental forecasts of Capital Expenditure 2010/11

	Housing (HRA) £000	Housing (Non HRA) £000	Children's Services £000	Adult Services £000	Transport £000	Chief Executive £000	DoT £000	Corporate Services £000	Neighbourhood Services £000	Total all Blocks £000
Budget Movement:										
Original Budget	30,807	48,370	234,929	7,410	24,606	51,653	6,196	45,155	4,654	453,780
Slippage from 2009-10	859	530	6,947	884	2,245	-918	748	5,609	2,991	19,895
Approved budget increases YTD	689	0	2,678	0	767	23,892	0	17,010	1,245	46,281
Budget Transfers YTD	0	1,300	-851	0	-358	-942	0	851	0	0
Slippage Adjustment YTD	-606	-9,083	-73,306	-130	-3,678	-14,680	0	-17,299	-1,411	-120,193
Revised Budget	31,749	41,117	170,397	8,164	23,582	59,005	6,944	51,326	7,479	399,763
Forecast Variance:										
Qtr 1 Forecast Spend	32,355	48,900	237,409	8,164	24,670	66,202	6,944	62,822	7,083	494,549
Qtr 2 Forecast Spend	31,912	41,124	168,845	7,900	19,777	54,202	6,944	53,114	7,459	391,277
Variance	-443	-7,776	-68,564	-264	-4,893	-12,000	0	-9,708	376	-103,272
Analysis between forecasts:										
Approved budget increases PTD	0	0	680	0	702	1,510	0	785	1,087	4,764
Budget Transfers PTD	0	1,300	0	0	-450	-850	0	1,200	0	1,200
Unapproved Additions	0	0	0	0	0	0	0	0	0	0
Increased Costs	3,039	1,370	0	0	0	329	0	0	0	4,738
Reduced Costs	-3,039	-1,038	-3	0	0	-216	0	0	-50	-4,346
Scheme added back into Programme								1,800		1,800
Schemes Falling Out (Grant Reduction)	0	0	-1,919	0	-1,967	0	0	0	0	-3,886
Schemes Failing Out (Other)	0	-1,810	-2,000	-264	0	-230	0	0	0	-4,304
Slippage from 2009-10	0	0	0	0	0	0	0	0	0	0
Budget Reprofile	-606	-9,083	-67,692	0	-3,178	-12,543	0	-13,493	-661	-107,256
Exp Accelerated from 2011-12	163	1,485	2,370	0	0	0	0	0	0	4,018
Total	-443	-7,776	-68,564	-264	-4,893	-12,000	0	-9,708	376	-103,272

Appendix 2: Summary 3 Year Capital Programme 2010/11 to 2012/13

	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
Slippage from 2009/10	19,895				19,895
Approved Budget Increases	46,281	11,308	5,000		62,589
Revised Budget	519,956	222,591	86,363	27,584	856,494
Re-profiling of Capital Programme	-120,193	64,165	56,028		0
Acceleration from 2011/12	4,018	-4,018			0
Other Forecast Variances to Budget	-12,504	-158	-1,965		-14,627
Forecast 3 Year Capital Programme	391,277	282,580	140,426	27,584	841,867

Appendix 3: Approved Budget Increases to the Capital Programme (July – October)

Date of Approval	Department	Scheme	Funding Source	2010/11 £000	2011/12 £000	2012/13 £000	F/Years £000	Total £000
28-Jul-10	New East Manchester	Sportcity remediation and site servicing works	MCC	1,371				1,371
28-Jul-10	New East Manchester	Sportcity remediation and site servicing works	NWDA	-1,371				-1,371
28-Jul-10	New East Manchester	Galston Street Phase 2	Section 106	24				24
28-Jul-10	Transport	Congestion Target Performance Fund	Government Grant	264				264
28-Jul-10	Chief Executive's Regeneration	North Manchester Metrolink Station	Community Infrastructure Fund	92				92
28-Jul-10	Leisure	Mancunian Way Skatepark Ph 2	Youth Capital Fund	117				117
28-Jul-10	Leisure	Mancunian Way Skatepark Ph 2	Sport England	196				196
28-Jul-10	Leisure	Mancunian Way Skatepark Ph 2	Revenue	10				10
28-Jul-10	Corporate Services	Acquisition of Mcer Wholesale Flowers	Capital Fund	785				785
15-Sep-10	Libraries	Higher Blackley/ The Avenue	MCC Resources	500				500
15-Sep-10	Leisure	Alexandra Park Regeneration	Capital Fund	125				125
15-Sep-10	Leisure	Alexandra Park Regeneration	Heritage Lottery Fund	139				139
15-Sep-10	New East Manchester	Access to Nature	Section 106	29				29
15-Sep-10	Transport	Congestion Target Performance Fund	Government Grant	70	470			540
15-Sep-10	New East Manchester	Central Park South	NWDA	145				145
15-Sep-10	New East Manchester	Sportcity BMX	Government Grant	451				451
15-Sep-10	Transport	Sustran Link to Schools	Contribution	81				81
15-Sep-10	Transport	Safer Routes to Schools & 20mph Zones	WNF grant	287				287
27-Oct-10	Chief Executive's Regen	West Indian Sports & Social Club	WNF	118				118
27-Oct-10	Children's Services	Levenshulme / Acacias	School Funds	280				280
27-Oct-10	Children's Services	Trinity	School Funds	400				400
27-Oct-10	New East Manchester	Sportcity BMX	HCA	19				19
27-Oct-10	Chief Executive's Regeneration	Oxford Road Corridor	MCC	632				632
				4,764	470	0	0	5,234