

<b>CITY OF WOLVERHAMPTON COUNCIL</b>	<b>Cabinet</b> <b>13 November 2019</b>
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<b>Report title</b>	<b>Capital Programme 2019-2020 to 2023-2024 Quarter Two Review</b>		
<b>Decision designation</b>	RED		
<b>Cabinet member with lead responsibility</b>	Councillor Louise Miles Resources		
<b>Key decision</b>	Yes		
<b>In forward plan</b>	Yes		
<b>Wards affected</b>	All Wards		
<b>Accountable Director</b>	Claire Nye, Director of Finance		
<b>Originating service</b>	Strategic Finance		
<b>Accountable employee</b>	Alison Shannon	Chief Accountant	
	Tel	01902 554561	
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<b>Report to be/has been considered by</b>	Strategic Executive Board	22 October 2019	
	Council	11 December 2019	

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### Recommendations for decision:

The Cabinet is recommended to recommend that Council:

1. Approves the revised medium term General Revenue Account capital programme of £326.9 million, an increase of £44.8 million from the previously approved programme and the change in associated resources.

The Cabinet is recommended to:

1. Approve the virements for the General Revenue Account capital programme detailed at Appendix 4 to the report for;
  - i. Existing projects totalling £3.0 million;
  - ii. New projects totalling £1.1 million.
2. Approve the virements for the HRA capital programme detailed at Appendix 4 to the report for:
  - i. Existing projects totalling £13.5 million.

## **Recommendations for noting:**

The Cabinet is asked to note:

1. The Corporate Contingency has been revised upwards by £33.9 million over the medium term capital programme to reflect potential future budget requirements within various service areas including ICT, Corporate Asset Management, Fleet Services, Waste and Affordable Warmth. Budget provision has been incorporated into the Corporate Contingency in order to be prudent at this stage. Programme business cases are in the process of being developed and assessed. Once this process is complete, approval will be sought in the Capital Programme 2019-2020 to 2023-2024 Quarter Three Review and 2020-2021 to 2024-2025 Budget Strategy report to allocate budget provision from the Corporate Contingency to individual projects.

## **1.0 Purpose**

- 1.1 To provide Cabinet with an update on the 2019-2020 financial performance of the General Revenue Account and HRA capital programmes and the revised forecast for 2019-2020 to 2023-2024 as at quarter two 2019-2020.
- 1.2 To recommend revisions to the current approved capital programmes covering the period 2019-2020 to 2023-2024.

## **2.0 Executive summary**

- 2.1 The General Revenue Account and Housing Revenue Account capital programmes are underpinned by Our Council Plan with significant focus on working together to be a city of opportunity; focused on the following strategic outcomes:
  - Children and young people get the best possible start in life
  - Well skilled people working in an inclusive economy
  - More good jobs and investment in our city
  - Better homes for all
  - Strong, resilient and healthy communities
  - A vibrant, green city we can all be proud of.
- 2.2 The capital programme includes significant investment programmes that endeavour to create an environment where new and existing business thrive, people can develop the skills they need to secure jobs and create neighbourhoods in which people are proud to live.
- 2.3 The capital programme reflects the priorities of the Strategic Asset Management Plan. Individual capital project delivery milestones and financial analysis is undertaken over the lifecycle of each project, by project managers in conjunction with Strategic Finance, and is updated in the Council's project management system. Regular project delivery updates are provided to Leadership teams and will also be provided to Project Assurance Group, enabling governance and challenge. In addition to this, a Capital Projects Member Reference Group provides enhanced project governance and challenge.
- 2.4 This report considers specific changes to budgets. A full list of the proposed capital programme can be found in Appendix 1 of the report.
- 2.5 At its meeting on 17 July 2019, Council approved a General Revenue Account capital programme totalling £257.7 million for the period 2019-2020 to 2023-2024. Since then further reports submitted to Councillors have been approved to increase this amount by £24.4 million to £282.1 million; of this additional budget £17.8 million is funded through internal resources and the remaining £6.6 million is funded through external resources.
- 2.6 In addition to this, reallocation of resources from the Corporate Contingency to the following new projects totalling £725,000 have been approved through Individual Executive Decision Notices:

- £375,000 for relocation of the Youth Offending Team;
- £350,000 for Canalside property acquisition.

- 2.7 At the end of quarter two of the 2019-2020 financial year, expenditure to date for General Revenue Account existing capital projects totals £44.0 million compared to the projected budget of £139.3 million. This level of expenditure is expected due to timings of particular projects such as loans and grants to external organisations.
- 2.8 Table 1 shows the approved General Revenue Account capital programme budget compared with that proposed, along with the resources identified to finance the proposed change.

**Table 1: Summary of the General Revenue Account capital programme**

General Revenue Account capital programme	2019 - 2020 £000	2020 - 2021 £000	2021 - 2022 £000	2022 - 2023 £000	2023 - 2024 £000	Total £000
<b>Budget</b>						
<b>Approved</b>	184,228	87,274	10,625	-	-	282,127
<b>Variations</b>						
New projects	1,809	7,000	5,000	-	-	13,809
Existing projects	(46,743)	41,971	27,451	5,474	2,800	30,953
	<b>(44,934)</b>	<b>48,971</b>	<b>32,451</b>	<b>5,474</b>	<b>2,800</b>	<b>44,762</b>
<b>Projected</b>	<b>139,294</b>	<b>136,245</b>	<b>43,076</b>	<b>5,474</b>	<b>2,800</b>	<b>326,889</b>
<b>Financing</b>						
<b>Approved</b>						
Internal resources	112,041	67,574	9,952	-	-	189,567
External resources	72,187	19,700	673	-	-	92,560
	<b>184,228</b>	<b>87,274</b>	<b>10,625</b>	<b>-</b>	<b>-</b>	<b>282,127</b>
<b>Variations</b>						
Internal resources	(12,436)	31,107	19,751	5,474	2,800	46,696
External resources	(32,498)	17,864	12,700	-	-	(1,934)
	<b>(44,934)</b>	<b>48,971</b>	<b>32,451</b>	<b>5,474</b>	<b>2,800</b>	<b>44,762</b>
<b>Projected</b>						
Internal resources	99,605	98,681	29,703	5,474	2,800	236,263
External resources	39,689	37,564	13,373	-	-	90,626
<b>Variance</b>	<b>139,294</b>	<b>136,245</b>	<b>43,076</b>	<b>5,474</b>	<b>2,800</b>	<b>326,889</b>

- 2.9 This report recommends variations to the approved programme totalling an increase of £44.8 million bringing the total revised programme to £326.9 million.
- 2.10 Details of all the projects that have contributed to the overall increase of £44.8 million in the General Revenue Account capital programme can be found in Appendices 1 and 2 of the report, however, the key projects that have contributed to the increase in the programme are as follows;
- The Corporate Contingency has been revised upwards by £33.9 million over the medium term capital programme to reflect potential future budget requirements within various service areas including ICT, Corporate Asset Management, Fleet Services, Waste and Affordable Warmth. Budget provision has been incorporated

into the Corporate Contingency in order to be prudent at this stage. Programme business cases are in the process of being developed and assessed. Once this process is complete, approval will be sought in the Capital Programme 2019-2020 to 2023-2024 Quarter Three Review and 2020-2021 to 2024-2025 Budget Strategy report to allocate budget provision from the Corporate Contingency to individual projects.

- In order to benefit from the capital receipts flexibility announced in the Autumn Statement 2015 and to align the capital programme to the Draft Budget and Medium Term Financial Strategy 2020-2021 to 2023-2024, it is proposed that the Transformation Development Efficiency Strategy programme is increased by £12.0 million over the medium term. This will enable the Council to apply capital receipts to revenue transformational expenditure;
- An increase totalling £1.2 million is proposed to reflect schools' contributions towards the creation of additional classroom space at Whitgreave Primary (£457,000) and improvement works at Orchard Pupils Referral Unit (PRU) Sports Barn (£700,000) within the Education capital programme;
- In addition to this, there is an increase within the Education capital programme which relates to the additional Devolved Capital grant award of £700,000 for 2021-2022;
- An increase totalling £415,000 due to grant funding from the West Midlands Combined Authority relating to the Maintenance of classified roads programme within the Transportation capital programme;
- The increase in expenditure, detailed above, is offset in part by the removal of expenditure budgets totalling £3.2 million from the Land and Property Investment Fund. Four projects, Phoenix 10 (£2.0 million), Portersfield - Phase 1 Demolition (£665,000), National Brownfields (£500,000) and Narrowboat Way (£49,000) have been removed from the General Revenue Account capital programme and transferred to Walsall Council for administration, as Walsall Council now acts as the accountable body for these projects.

2.11 On 17 July 2019, Council approved a revised HRA capital programme totalling £339.0 million for the period 2019-2020 to 2023-2024. Since then further reports submitted to Councillors have been approved to increase this amount by £580,000 to £339.6 million. To reflect the most up to date forecast for the HRA projects available, at the time of writing this report based on the regular project delivery updates re-profiling of the programme is being proposed resulting in £19.1 million re-phasing from 2019-2020 to future years. This change has no effect to the overall approved capital budget for HRA. Expenditure to the end of quarter two 2019-2020 for existing projects totals £22.0 million compared to the projected budget of £63.9 million.

- 2.12 Table 2 shows the HRA changes proposed for 2019-2020 to 2023-2024, along with the resources identified to finance the proposed changes.

**Table 2: Summary of the HRA capital programme**

Housing Revenue Account capital programme	2019 - 2020 £000	2020 - 2021 £000	2021 - 2022 £000	2022 - 2023 £000	2023 - 2024 £000	Total £000
<b>Budget</b>						
<b>Approved</b>	83,039	99,882	84,660	71,150	60,890	<b>399,621</b>
<b>Variations</b>						
New projects	-	-	-	-	-	-
Existing projects	(19,107)	10,240	8,136	900	(169)	-
	<b>(19,107)</b>	<b>10,240</b>	<b>8,136</b>	<b>900</b>	<b>(169)</b>	<b>-</b>
<b>Projected</b>	<b>63,932</b>	<b>110,122</b>	<b>92,796</b>	<b>72,050</b>	<b>60,721</b>	<b>399,621</b>
<b>Financing</b>						
<b>Approved</b>						
Internal resources	82,655	99,302	84,660	71,150	60,890	<b>398,657</b>
External resources	384	580	-	-	-	<b>964</b>
	<b>83,039</b>	<b>99,882</b>	<b>84,660</b>	<b>71,150</b>	<b>60,890</b>	<b>399,621</b>
<b>Variations</b>						
Internal resources	(19,107)	10,240	8,136	900	(169)	-
External resources	-	-	-	-	-	-
	<b>(19,107)</b>	<b>10,240</b>	<b>8,136</b>	<b>900</b>	<b>(169)</b>	<b>-</b>
<b>Projected</b>						
Internal resources	63,548	109,542	92,796	72,050	60,721	<b>398,657</b>
External resources	384	580	-	-	-	<b>964</b>
<b>Projected</b>	<b>63,932</b>	<b>110,122</b>	<b>92,796</b>	<b>72,050</b>	<b>60,721</b>	<b>399,621</b>

### 3.0 Existing projects

- 3.1 The changes proposed for existing projects within the General Revenue Account capital programme total a net increase of £30.9 million. A more detailed listing of the individual projects can be found in Appendices 1 and 2 of the report.
- 3.2 Requests for budget virements between existing projects with the General Revenue Account capital programme total £3.0 million, further details are provided in Appendix 4 of the report.
- 3.3 The following paragraphs provide commentary on the key changes to budgets and an update on key projects.
- 3.4 The Interchange scheme budget remains as per approved budget of £81.8 million across the partner organisations. The respective projects related to Station and Metro works are all on track to deliver the scheme within the approved budget.
- 3.5 During 2019 the team have been developing the City Learning Quarter business case and various design studies in collaboration with the college. Achievements this quarter include: the completion of RIBA Stage 3 studies; a consultation event; and completion of

demolition works. The funding application was submitted to the Black Country Local Economic Partnership (BCLEP) in June 2019. The aspiration of the project is to concentrate the College onto two main campuses, in the City Centre and at Wellington Road in Bilston, enabling the current campus at Paget Road to be disposed of and helping secure the future of the College.

- 3.6 The Civic Halls project is continuing to progress with the engagement of the new contractor. Work is ongoing to continue design progression and re-commencement of work on site. The new operating model has been approved by Cabinet and progress is ongoing towards the development of this proposal.
- 3.7 In January 2019, Cabinet approved a funding strategy and budget for Site Clearance and Ecological Habitat Work, Access Road and Bridleway Diversion within the i54 Western Extension project. With all key funding and delivery agreements in place, including BCLEP Local Growth Fund grant for the Access Road, contract works commenced on site in June 2019 and is on programme to complete next Spring. In September 2019, Cabinet approved the next phases of work comprising Services Reservations, Green Infrastructure works and Platform Preparations. These works are programmed to commence June 2020 which will result development plots prepared and serviced for disposal from late 2021 onwards.
- 3.8 The Secondary School Expansion Programme is progressing well. The scheme at Aldersley High School is entering its final phase with only external works to be completed. The buildings are now operational and being used effectively by the school. The Our Lady and St Chad Academy scheme will now complete in April 2020. The Primary Expansion schemes at Loxdale, Spring Vale and Stowlawn Primaries are all complete and were delivered in September 2019.
- 3.9 The Special Provision Capital Fund programme is progressing well with the schemes at Warstones Primary and Green Park school reaching completion in summer 2020.
- 3.10 New Build projects within the HRA capital programme have been reprofiled by £7.5 million from 2019-2020 to future years; this is mainly due to timescales for procurement being greater than anticipated, in particular with regards to the community housing developments at Inkerman Street and Bushbury Hill.
- 3.11 Decent Homes Stock Condition budgets have been reprofiled by £8.7 million in total from 2019-2020 to future years. This is mainly due to a slower start than anticipated on the High Rise Mechanical and Electrical refurbishment and the Sprinkler Programme caused by the complexity of the design process. Budgets for the Other Stock Improvements including rolling work programme for roofing refurbishment have been reprofiled by £2.5 million due to supply chain pressures.

## 4.0 New projects and virements

- 4.1 Table 3 provides a summary of new projects requiring approval, covering the period 2019-2020 to 2023-2024, identifying where additional funding is required and where the new expenditure can be met from existing resources. A detailed analysis of the individual projects included in this table can be found in Appendix 4 of the report.

**Table 3: Summary of new projects requiring approval**

Directorate	Forecast outturn £000	2019-2020 to 2023-2024		Virements from existing projects £000
		Additional internal resources required £000	Additional external resources required £000	
General Revenue Account capital programme	13,809	12,519	230	1,060
<b>Total</b>	<b>13,809</b>	<b>12,519</b>	<b>230</b>	<b>1,060</b>

- 4.2 The new projects requiring approval are funded from a mixture of internal (£12.5 million) and external (£230,000) resources and virements totalling £1.1 million. A list of the virements can be found in Appendix 4 of the report.
- 4.3 The main new projects requiring approval are discussed below;
- As detailed in paragraph 2.10, in order to benefit from the capital receipts flexibility announced in the Autumn Statement 2015 and to align the capital programme to the Draft Budget and Medium Term Financial Strategy 2020-2021 to 2023-2024, it is proposed that the Transformation Development Efficiency Strategy programme is increased by £12.0 million over the medium term. This will enable the Council to apply capital receipts to revenue transformational expenditure;
  - An increase totalling £457,000 relates to the Whitgreave Primary School due to creation of additional classroom space fully funded by the school's contributions;
  - An increase of £100,000 relates to road works on Northcote Lane which are funded externally.
- 4.4 New projects created through virements from existing projects can be found in Appendix 4 of the report with the main items discussed below;
- 4.5 Approximately £435,000 of virements from existing projects are requested to create new projects within the Primary School Expansion Programme. Virements in the region of £270,000 are proposed for road works within the Transportation capital programme. A virement of £165,000 is required for Rehabilitation Equipment within the programme funded by Disabled Facilities Grant, whilst virements totalling £135,000 are proposed for new Service Led ICT Projects.



## 5.0 Medium term capital programme financing

5.1 Table 4 details the approved financing for the capital programme for 2019-2020 to 2023-2024 and incorporates the requested approvals for projects included in this report.

**Table 4: Approved and forecast capital financing 2019-2020 to 2023-2024**

2019-2020 to 2023-2024				
General Revenue Account capital programme	Approved budget	Recommended budget	Variance	Resource as % of expenditure
	£000	£000	£000	
<b>Expenditure</b>	<b>282,127</b>	<b>326,889</b>	<b>44,762</b>	
<b>Financing</b>				
Internal resources				
Capital receipts	73,633	75,352	1,719	23.0%
Prudential borrowing	115,087	159,093	44,006	48.7%
Revenue contributions	847	1,818	971	0.6%
Reserves	-	-	-	0.0%
<b>Subtotal</b>	<b>189,567</b>	<b>236,263</b>	<b>46,696</b>	<b>72.3%</b>
External resources				
Grants & contributions	92,560	90,626	(1,934)	27.7%
<b>Subtotal</b>	<b>92,560</b>	<b>90,626</b>	<b>(1,934)</b>	<b>27.7%</b>
<b>Total</b>	<b>282,127</b>	<b>326,889</b>	<b>44,762</b>	<b>100.0%</b>

2019-2020 to 2023-2024				
Housing Revenue Account capital programme	Approved budget	Recommended budget	Variance	Resource as % of expenditure
	£000	£000	£000	
<b>Expenditure</b>	<b>399,621</b>	<b>399,621</b>	<b>-</b>	
<b>Financing</b>				
Internal resources				
Capital receipts	28,999	31,458	2,459	8.0%
Prudential borrowing	259,543	257,084	(2,459)	64.3%
Revenue contributions	-	18,865	18,865	4.7%
Reserves	110,115	91,250	(18,865)	22.8%
<b>Subtotal</b>	<b>398,657</b>	<b>398,657</b>	<b>-</b>	<b>99.8%</b>
External resources				
Grants & contributions	964	964	-	0.2%
<b>Subtotal</b>	<b>964</b>	<b>964</b>	<b>-</b>	<b>0.2%</b>
<b>Total</b>	<b>399,621</b>	<b>399,621</b>	<b>-</b>	<b>100.0%</b>

5.2 Following a change in the accounting treatment used to calculate depreciation within the Housing Revenue Account (HRA) based on property components, there has been a switch in financing of the HRA capital programme. The total HRA capital expenditure budget remains unchanged; however, it is forecast that there will be a lower in year depreciation charge in the HRA revenue account which will enable greater revenue contributions towards capital expenditure. In addition to this, financing from HRA reserves will decrease.

5.3 Capital receipts totalling £75.4 million have been assumed within the General Revenue Account capital programme over the medium term period 2019-2020 to 2023-2024 and

can be seen in Table 5. This is an increase of £1.7 million when compared to the approved budget. The variance has arisen due to increased loan repayments and sale of shareholding investment.

- 5.4 In order to be prudent, a detailed review of the schedule of asset disposals is undertaken to identify only those that are likely to be completed. The planned utilisation of capital receipts will reflect the need to balance the benefit for both the capital programme and the revenue budget and will form part of the ongoing Medium Term Financial Strategy.

**Table 5: Receipts assumed in the revised General Revenue Account programme**

General Revenue Account	2019 - 2020	2020 - 2021	2021 - 2022	Projected			Total £000
	£000	£000	£000	2022 - 2023 £000	2023 - 2024 £000	2024 - 2025 £000	
Capital programme receipts	16,500	44,500	14,400	-	-	-	75,400

## 6.0 Key budget risks

- 6.1 An analysis of the risks associated with the capital programme, along with the details of the risk control measures that are in place in order to manage and mitigate these risks as far as possible can be viewed online on the Council's website by following the link below:

[Capital Programme | City Of Wolverhampton Council](#)

- 6.2 The overall risk associated with the programme continues to be quantified as amber.

## 7.0 Evaluation of alternative options

- 7.1 This report provides an update on progress of capital projects during 2019-2020 and anticipated budget requirements for future years. The evaluation of alternative project options is detailed in individual investment proposals.

## 8.0 Reasons for decisions

- 8.1 To seek Cabinet's recommendation to Council to approve the revised capital budgets. This will ensure that the capital programme budget reflects the latest forecasts and requirements.

## 9.0 Financial implications

- 9.1 The financial implications are discussed in the body of this report. The revenue implications of the new and existing projects seeking approval for additional or changes in resources for the General Revenue Account can be seen in the table below. These are fully reflected in the treasury management budget forecasts included in the report 'Treasury Management Activity Monitoring – Mid Year Review 2019-2020' also on the agenda for approval at this meeting.

General Revenue Account capital programme	2019-2020 £000	2020-2021 £000	2021-2022 £000	2022-2023 £000	2023-2024 £000	2024-2025 £000
Forecast cumulative impact:						
interest	322	366	1,339	1,558	1,670	1,670
minimum revenue provision	-	949	1,564	3,047	3,736	3,967
Net revenue cumulative impact	322	1,315	2,903	4,605	5,406	5,637

- 9.2 The Treasury Management budget for 2019-2020 is currently forecast to underspend. However the financial implications arising as a result of new and amendments to existing projects, including potential budget provision which has been incorporated into the Corporate Contingency, will be assessed over the forthcoming months and an update will be provided to Councillors in February 2020 in the Capital Programme 2019-2020 to 2023-2024 Quarter Three Review and 2020-2021 to 2024-2025 Budget Strategy, Treasury Management Strategy 2020-2021 and 2020-2021 Budget and Medium Term Financial Strategy 2020-2021 to 2023-2024 reports.

[RJ/29102019/I]

## **10.0 Legal implications**

- 10.1 Section 151 of the Local Government Act 1972 requires local authorities to make arrangements for the proper administration of their financial affairs.
- 10.2 The Local Government Act 2003 brought in the current regime for capital finance for local authorities. It reduced the level of central control over local authority borrowing and capital expenditure.
- 10.3 Each project mentioned in this report will have its own specific legal implications, raised and tailored in their respective reports.

[LW/30102019/V]

## **11.0 Equalities implications**

- 11.1 There is a range of individual projects delivered through the Council's capital programme that have significant impacts on specific groups and equality implications should be considered when individual capital projects are being developed.
- 11.2 This requirement would also apply if there were to be any redirection of capital funding in year to ensure that the impact of any changes is considered.

## **12.0 Climate change and environmental implications**

- 12.1 A wide range of projects delivered through the capital programme have significant climate change and environmental implications and are geared to promote improvements to the physical environment.

## **13.0 Human resources implications**

- 13.1 There are no human resources implications arising from this report.

## **14.0 Corporate landlord implications**

- 14.1 Projects funded and delivered through the Council's capital programme typically have significant impact on the Council's property portfolio. Corporate landlord implications must be considered and included in relevant documents and reports when individual capital projects and programmes are being developed.

## **15.0 Health and Wellbeing Implications**

- 15.1 There is a range of individual projects delivered through the Council's capital programme which should have health and wellbeing implications, these should be considered when individual capital projects are being developed.

## **16.0 Schedule of background papers**

Individual Executive Decision Notice, 25 March 2019 – Acceptance of External Funding from the European Regional Development Fund (ERDF);

Council, 17 July 2019 – [Capital Budget Outturn 2019-2019 including Quarter One Capital Budget Monitoring 2019-2020](#)

Cabinet (Resources) Panel, 23 July 2019 – [Purchase of additional affordable housing units – Former Tower and Fort Development site, Graiseley](#)

Cabinet, 31 July 2019 – [City Learning Quarter](#)

Individual Executive Decision Notice, 23 August 2019, exempt – Canalside property acquisition

Council, 18 September 2019 – [i54 Western Extension – Phases 4 and 5 Budget Approval](#)

Individual Executive Decision Notice, 25 September 2019 – [Corporate Asset Management Fund – Funding and Project Approvals for 2019 - 2020](#)

Individual Executive Decision Notice, 27 September 2019 – [Allocation of Corporate Contingency – Relocation of the Youth Offending Team](#)

Cabinet (Resources) Panel, 1 October 2019 – [Maintaining the School Estate](#)

## **17.0 Appendices**

Appendix 1 – Detailed projected budget

Appendix 2 – Detailed forecast change

Appendix 3 – Projects requiring approval

Appendix 4 – Virements for approval