

CITY OF WOLVERHAMPTON COUNCIL	Cabinet 19 February 2020
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Report title	Capital programme 2019-2020 to 2023-2024 Quarter Three Review and 2020-2021 to 2024-2025 Budget Strategy	
Decision designation	RED	
Cabinet member with lead responsibility	Councillor Louise Miles Resources	
Key decision	Yes	
In forward plan	Yes	
Wards affected	All Wards	
Accountable Director	Claire Nye, Director of Finance	
Originating service	Strategic Finance	
Accountable employee	Alison Shannon	Chief Accountant
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Report to be/has been considered by	Strategic Executive Board Council	7 February 2020 4 March 2020

Recommendations for decision:

That Cabinet recommend that Council:

1. Approves the revised medium term General Revenue Account capital programme of £368.4 million, an increase of £41.3 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 5 to the report for:
 - i. Existing projects totalling £8.4 million;
 - ii. New projects totalling £10.4 million.

2. Continue both delegations to the Cabinet Member for Resources, in consultation with the Director of Finance, to approve the allocation of:
 - i. The Corporate Contingency to individual projects in order that corporate priorities may be addressed in an agile and timely manner;
 - ii. The Transformation Development Efficiency Strategy to individual transformation projects in order to benefit from the capital receipts flexibility announced in the Autumn Statement 2015 and in line with the Medium Term Financial Strategy.
3. Delegate authority to the Black Country Joint Committee to make decisions on behalf of the Council in relation to the approval of all Black Country Local Enterprise Partnership (LEP) funding applications, together with submissions for all external funding on behalf of the Black Country Local Enterprise Partnership and Collaboration Agreement partners.

1.0 Purpose

- 1.1 To provide Cabinet with an update on the 2019-2020 financial performance of the General Revenue Account and Housing Revenue Account (HRA) capital programmes and the revised forecast for 2019-2020 to 2024-2025 as at quarter three 2019-2020.
- 1.2 To recommend revisions to the current approved capital programmes covering the period 2019-2020 to 2024-2025.

2.0 Executive summary

- 2.1 The General Revenue Account and HRA 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 The Capital Strategy is a key document for the Council and forms part of the authority's integrated capital, revenue, strategic asset management and balance sheet planning. Appendix 1 of the report provides a high-level overview of how capital expenditure, capital financing and treasury management activity are undertaken in line with service objectives, whilst taking account of stewardship, value for money, prudence, sustainability and affordability.

- 2.5 Furthermore, it also provides a framework by which investment decisions will be made, an overview of risk management, the implications for future financial sustainability and the governance processes for approval and monitoring of capital expenditure in line with requirements under the Prudential Code for Capital Finance in Local Authorities.
- 2.6 This report considers specific changes to budgets. A full list of the proposed capital programme can be found in Appendix 2 of the report.
- 2.7 At its meeting on 18 December 2019, Council approved a General Revenue Account capital programme totalling £326.9 million for the period 2019-2020 to 2023-2024. Since then, a further report submitted to Councillors has been approved to increase this amount by £130,000 to £327.0 million; this additional budget of £130,000 is funded through external resources.
- 2.8 In addition to this, reallocation of resources from the Corporate Contingency to the following new projects totalling £272,000 have been approved through Individual Executive Decision Notices:
- £172,000 for additional garden waste bins;
 - £75,000 for Shaw Road Household Waste and Recycling Centre Compliance Works;
 - £15,000 for Bilston Market partial roof replacement;
 - £10,000 for Wolverhampton Market drainage solution.
- 2.9 At the end of quarter three of the 2019-2020 financial year, expenditure for General Revenue Account existing capital projects totals £68.0 million compared to the projected budget of £112.0 million. This level of expenditure is expected due to timings of particular projects such as loans and grants to external organisations.
- 2.10 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	2020 - 2021	2021 - 2022	2022 - 2023	2023 - 2024	2024 - 2025	Total
	£000	£000	£000	£000	£000	£000	£000
Budget							
Approved	139,337	136,332	43,076	5,474	2,800	-	327,019
Variations							
New projects	2,036	8,291	75	-	-	-	10,402
Existing projects	(29,375)	26,907	13,398	10,000	10,000	-	30,930
	(27,339)	35,198	13,473	10,000	10,000	-	41,332
Projected	111,998	171,530	56,549	15,474	12,800	-	368,351
Financing							
Approved							
Internal resources	99,605	98,681	29,703	5,474	2,800	-	236,263
External resources	39,732	37,651	13,373	-	-	-	90,756
	139,337	136,332	43,076	5,474	2,800	-	327,019
Variations							
Internal resources	(24,344)	23,976	13,473	10,000	10,000	-	33,105
External resources	(2,995)	11,222	-	-	-	-	8,227
	(27,339)	35,198	13,473	10,000	10,000	-	41,332
Projected							
Internal resources	75,261	122,657	43,176	15,474	12,800	-	269,368
External resources	36,737	48,873	13,373	-	-	-	98,983
Variance	111,998	171,530	56,549	15,474	12,800	-	368,351

- 2.11 This report recommends variations to the approved programme totalling an increase of £41.3 million, which brings the total revised programme to £368.4 million.
- 2.12 Details of all the projects that have contributed to the overall increase of £41.3 million in the General Revenue Account capital programme can be found in Appendices 2 and 3 of the report, however, the key projects that have contributed to the increase in the programme are as follows;
- In September 2016, following the formation of the Council's wholly owned housing company – WV Living, Cabinet approved the issue of loans from the Council to WV Living up to a total value of £40.0 million to cover the acquisition/land costs of the first phase of development secured by a legal charge. Following considerable development on numerous sites over the last few years, it is now deemed prudent to increase the capital programme by £40.0 million to reflect the future potential loan provision to WV Living, should Cabinet approval be granted for further housing site developments. The strategic response to address the housing need generates a commercial return for the Council that will contribute to the Medium Term Financial Strategy;
 - An increase totalling £1.7 million is proposed for the Maintenance of Classified Roads programme within the Transportation capital programme to reflect additional grant allocations for 2020-2021;
 - In addition to this, there is an increase totalling £1.4 million relating to the Street Lighting Replacement scheme (£935,000) and the City North and City East Gateway Major Scheme Development project (£500,000) within the Transportation capital programme following the award of grant funding;

- The increase in expenditure detailed above is offset in part by £2.0 million decrease in the Transformation Development Efficiency Strategy programme to realign this with the assumptions incorporated into the Budget and Medium Term Financial Strategy 2020-2021 to 2023-2024, also presented to Cabinet on this agenda.

- 2.13 On 29 January 2020, Council approved a revised HRA capital programme totalling £462.3 million for the period 2019-2020 to 2024-2025. Of this, £63.6 million relates to the 2019-2020 financial year. Expenditure to the end of quarter three 2019-2020 for existing projects totals £35.2 million compared to the approved budget of £63.6 million.
- 2.14 Table 2 shows the approved budget for information only as there are no proposed changes to the overall budget.

Table 2: Summary of the HRA capital programme

Housing Revenue Account capital programme	2019 - 2020	2020 - 2021	2021 - 2022	2022 - 2023	2023 - 2024	2024 - 2025	Total
	£000	£000	£000	£000	£000	£000	£000
Budget							
Approved	63,596	79,708	82,828	83,790	83,640	68,690	462,252
Projected	63,596	79,708	82,828	83,790	83,640	68,690	462,252
Financing							
Approved							
Internal resources	62,887	79,708	82,828	83,790	83,640	68,690	461,543
External resources	709	-	-	-	-	-	709
	63,596	79,708	82,828	83,790	83,640	68,690	462,252
Projected							
Internal resources	62,887	79,708	82,828	83,790	83,640	68,690	461,543
External resources	709	-	-	-	-	-	709
Projected	63,596	79,708	82,828	83,790	83,640	68,690	462,252

3.0 Existing projects

- 3.1 The changes proposed for existing projects within the General Revenue Account capital programme total a net increase of £41.3 million as detailed in paragraph 2.12. A more detailed listing of the individual projects can be found in Appendices 2 and 3 of the report.
- 3.2 As detailed in the last report, the Corporate Contingency was increased to reflect potential future budget requirements within various service areas including ICT, Corporate Asset Management, WV Active, Fleet Services and Waste Services. Business cases are in the process of being developed and assessed, however, a number have been completed and are included in this report for approval to allocate budget provision from the Corporate Contingency to individual projects. Work will continue to assess the remaining business cases and approval to allocate the budget provision to individual projects will be sought in accordance with the delegation detailed in paragraph 3.14, once approved.

- 3.3 Requests for budget virements between existing projects within the General Revenue Account capital programme total £8.4 million, further details provided in Appendix 5 of the report.
- 3.4 The following paragraphs provide commentary on the key changes to budgets and an update on key projects.
- 3.5 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.
- 3.6 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. The Pipers Row public realm works were completed in November 2019. Phase 1 of the station is nearing completion.
- 3.7 During 2019 the team have been developing the City Learning Quarter business case and various design studies in collaboration with the City of Wolverhampton 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.
- 3.8 Cabinet approval for the Westside scheme was obtained in February 2019 towards the revised delivery structure for the £50.0 million scheme, work is continuing to finalise legal agreements with Urban&Civic (U&C). Once finalised, U&C will look to develop the detailed design, discharge the planning conditions, tender the works and secure a funder, following which, works on site will commence.
- 3.9 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 this 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.

- 3.10 In February 2018, Cabinet approved the allocation of up to £13 million capital investment to forward purchase the i9 office development. During 2019, the developer, ION Developments obtained planning permission, secured a grant of £3.9 million from BCLEP Local Growth Fund and appointed a building contractor. Construction works are now on site. These works are programmed to complete in Spring 2021.
- 3.11 The Secondary School Expansion Programme is progressing well. The scheme at Aldersley High School is in the snagging phase but is fully operational. The Our Lady and St Chad Academy scheme will now complete in April 2020.
- 3.12 A detailed update of the approved HRA capital programme for 2020-2021 to 2024-2025 can be found in the report 'Housing Revenue Account Business Plan 2020-2021 including Rents and Service Charges' considered by Cabinet on 22 January 2020. The New Build programme of £128.6 million includes £25.1 million of expenditure programmed for 2020-2021. Budgets for refurbishment and improvement works to an existing housing stock total £270.0 million. This includes a new programme of £13.7 million for the Medium and Low Rise Fire Safety of which £700,000 is budgeted for in 2020-2021.
- 3.13 New Build projects within the HRA capital programme have been reprofiled by £1.0 million into future years with the design stage for Heath Town and Medium Sites now due to take place in 2020-2021. Other changes in year include an additional £300,000 allocation for disabled adaptations funded by a reduction in the budget for Sustainable Estates programme.
- 3.14 Approval is sought to continue both delegations to the Cabinet Member for Resources in consultation with the Director of Finance to approve the allocation of the following;
- Corporate Contingency to individual projects in order that corporate priorities may be address in an agile and timely manner;
 - Transformation Development Efficiency Strategy to individual transformation projects in order to benefit from the capital receipts flexibility and in line with the Medium Term Financial Strategy.
- 3.15 On 17 December 2019 Cabinet approved that the Black Country Executive Joint Committee's Collaboration Agreement be amended to reflect Walsall Metropolitan Borough Council's role as single accountable body for all Black Country Local Enterprise Partnership (LEP) funding. In order to facilitate projects in a more agile and timely manner, Cabinet approval is sought to delegate authority to the Black Country Executive Joint Committee to make decisions on its behalf in relation to the approval of all Black Country LEP funding applications, together with submissions for all external funding on behalf of the Black Country Local Enterprise Partnership and Collaboration Agreement partners.

4.0 New projects and virements

4.1 Table 3 provides a summary of new projects requiring approval, covering the period 2019-2020 to 2024-2025. The new projects requiring approval are created through virements from existing projects.

Table 3: Summary of new projects requiring approval

Directorate	2019-2020 to 2024-2025	
	Forecast outturn	Virements from existing projects
	£000	£000
General Revenue Account capital programme	10,402	10,402
Total	10,402	10,402

4.2 A detailed analysis of the individual projects included in this table can be found in Appendix 4 of the report with the main items discussed below.

4.3 Approximately £4.9 million of virements from existing projects are requested to create new projects within the Full Fibre Network capital programme. Virements in the region of £5.0 million are proposed from the Corporate Contingency to individual projects where business cases have been completed and assessed. A £300,000 virement is proposed for Westside Link Phase 1 to enable footway improvement works within Dudley Street. Virements in the region of £85,000 are proposed for Bilston Community Centre demolition, whilst virements totalling £78,000 are required for the new schools capital maintenance projects within the Education capital programme.

4.4 The Council are currently exploring the opportunity for a public sector partner to co-locate within the Civic Centre on a leasehold basis, creating an income stream and potentially bringing in approximately an additional 150 employees to the city centre. This would require the refurbishment of the Mezzanine Level. A business case is being produced and will be subject to a separate report.

5.0 Medium term capital programme financing and budget strategy

5.1 Table 4 details the approved financing for the capital programme for 2019-2020 to 2024-2025 and incorporates the requested approvals for projects included in this report.

Table 4: Approved and forecast capital financing 2019-2020 to 2024-2025

2019-2020 to 2024-2025				
General Revenue Account capital programme	Approved budget	Recommended budget	Variance	Resource as % of expenditure
	£000	£000	£000	
Expenditure	327,019	368,351	41,332	
Financing				
Internal resources				
Capital receipts	75,352	113,165	37,813	30.7%
Prudential borrowing	159,093	154,279	(4,814)	41.9%
Revenue contributions	1,818	1,924	106	0.5%
Reserves	-	-	-	0.0%
Subtotal	236,263	269,368	33,105	73.1%
External resources				
Grants & contributions	90,756	98,983	8,227	26.9%
Subtotal	90,756	98,983	8,227	26.9%
Total	327,019	368,351	41,332	100.0%
2019-2020 to 2024-2025				
Housing Revenue Account capital programme	Approved budget	Recommended budget	Variance	Resource as % of expenditure
	£000	£000	£000	
Expenditure	462,252	462,252	-	
Financing				
Internal resources				
Capital receipts	43,378	43,378	-	9.4%
Prudential borrowing	288,267	288,267	-	62.4%
Revenue contributions	18,865	18,865	-	4.0%
Reserves	111,033	111,033	-	24.0%
Subtotal	461,543	461,543	-	99.8%
External resources				
Grants & contributions	709	709	-	0.2%
Subtotal	709	709	-	0.2%
Total	462,252	462,252	-	100.0%

5.2 Capital receipts totalling £113.2 million have been assumed within the General Revenue Account capital programme over the medium term period 2019-2020 to 2024-2025 and can be seen in Table 5. This is a net increase of £37.8 million when compared to the approved budget. The variance has arisen due to increased loan repayments from WV Living, linked to the additional loan provision for WV Living discussed in paragraph 2.12, which were offset in part by decreased forecast in sale of assets.

5.3 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 capital programme

General Revenue Account	Projected						Total £000
	2019 - 2020 £000	2020 - 2021 £000	2021 - 2022 £000	2022 - 2023 £000	2023 - 2024 £000	2024 - 2025 £000	
Capital programme receipts	15,000	39,600	28,600	10,000	10,000	10,000	113,200

5.4 It is the Council's strategy to use capital receipts to reduce the Council's need to borrow to fund the approved capital programme. Capital expenditure has a direct impact upon the Council's revenue budgets and therefore needs to be restricted to projects essential to the Council's priorities. Any proposals to increase the level of the capital programme are considered in accordance with the Capital Strategy as in Appendix 1.

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 continuous 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 Strategy 2020-2021' 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	(115)	332	173	173	173	(237)
minimum revenue provision	-	(302)	323	244	255	266
Net revenue cumulative impact	(115)	30	496	417	428	29

[RJ/07022020/Z]

10.0 Legal implications

- 10.1 Section 151 of the Legal 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.

[TS/07022020/Q]

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. Specific focus is given to projects which will enable the Council to address the challenge of Climate Change and ensure that all strategic decisions and funding are in line with the shift to net carbon zero by 2028. The 2020-2021 Budget and Medium Term Financial Strategy 2020-2021 to 2023-2024 (on this same agenda), includes funding to support climate change feasibility works.

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

- 16.1 Council, 18 December 2019 - Capital Programme 2019-2020 to 2023-2024 Quarter Two Review
- 16.2 Individual Executive Decision Notice, 8 January 2020, exempt – Allocation of Corporate Contingency – Shaw Road Household Waste and Recycling Centre Compliance Works
- 16.3 Individual Executive Decision Notice, 9 January 2020, exempt – Corporate Asset Management Fund
- 16.4 Council, 29 January 2020 – Housing Revenue Account Business Plan 2020-2021 including Rents and Service Charges
- 16.5 Individual Executive Decision Notice, 31 January 2020, exempt – Business Services Capital Funds
- 16.6 Cabinet (Resources) Panel, 4 February 2020 - Accepting Black Country LEP Development Funding to Support the Black Country Ultra Low Emission Vehicle Programme

17.0 Appendices

- 17.1 Appendix 1 – Capital Strategy 2020-2021
- 17.2 Appendix 2 – Detailed project budget
- 17.3 Appendix 3 – Detailed forecast change
- 17.4 Appendix 4 – Projects requiring approval
- 17.4 Appendix 5 – Virements for approval

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