

CITY OF WOLVERHAMPTON COUNCIL	Cabinet 8 July 2020
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Report title	Capital Budget Outturn 2019-2020 including Quarter One Capital Monitoring 2020-2021	
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	Tim Johnson, Chief Executive	
Originating service	Strategic Finance	
Accountable employee	Claire Nye Tel Email	Director of Finance 01902 550478 Claire.nye@wolverhampton.gov.uk
Report to be/has been considered by	Strategic Executive Board	26 June 2020

Recommendations for decision:

That Cabinet recommend that Council:

1. Approves the revised medium term General Revenue Account capital programme of £380.8 million, an increase of £2.0 million from the previously approved programme, and the change in associated resources.
2. Approves the revised Housing Revenue Account (HRA) capital programme of £462.2 million, a reduction of £20,000 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 £12.0 million;

- ii. New projects totalling £1.6 million.
- 2. Approve the virements for the HRA capital programme detailed at Appendix 5 to the report for:
 - i. Existing projects totalling £12.9 million.

Recommendations for noting:

The Cabinet is asked to note:

- 1. The General Revenue Account outturn position for 2019-2020 which stands at 87.6% of the approved capital budget.
- 2. The HRA outturn position for 2019-2020 which stands at 91.8% of the approved capital budget.
- 3. That the Covid-19 pandemic has had an impact on development projects internationally, nationally and regionally and also on projects within the City.

1.0 Purpose

- 1.1 To provide Cabinet with an update on the outturn position for 2019-2020 and update on the 2020-2021 financial performance of the General Revenue Account and HRA capital programmes whilst also providing a revised forecast for 2020-2021 to 2024-2025 as at quarter one of 2020-2021.
- 1.2 To recommend revisions to the current approved capital programmes covering the period 2020-2021 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 Covid-19 pandemic has had a significant international, national and regional impact, and will continue to have, significant financial implications for the Council. Covid-19 has had an impact on development projects internationally, nationally and regionally and also on projects within the City. Given the unprecedented circumstances, there has understandably been delays on some capital schemes due to Covid-19. The Council is assessing the potential implications of Covid-19 on its wider capital programme in terms of delivery timescales and increases in costs. The capital programme makes a significant contribution to the shaping of the City and on the economy of the City and therefore will contribute to the Council's plans for reset and recovery from Covid-19.

- 2.5 At its meeting on 4 March 2020, Council approved a General Revenue Account capital programme totalling £368.4 million for the period 2019-2020 to 2024-2025. Since then, further reports submitted to Councillors have been approved to increase this amount by £10.4 million to £378.8 million. Of the £10.4 million increase, £8.6 million relates to decisions approved at the joint Cabinet and Cabinet (Resources) Panel meeting on 23 June 2020; £1.3 million relates to the Schools Capital programme within Education whilst a net increase of £521,000 relates to City Environment projects. This additional budget of £10.4 million is funded through a mixture of internal and external resources.
- 2.6 In addition to this, reallocation of resources from the Corporate Contingency to the following new projects totalling £1.6 million have been approved through Individual Executive Decision Notices:
- £580,000 for purchase and installation of cremators at Bushbury Crematorium;
 - £1.0 million to new individual projects within the Corporate Asset Management capital programme to facilitate works required in order that corporate priorities are addressed and met in an agile and timely manner.
- 2.7 This report considers specific changes to budgets. A full list of the proposed capital programme can be found in Appendix 1 of the report.
- 2.8 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	2020 - 2021	2021 - 2022	2022 - 2023	2023 - 2024	2024 - 2025	Total
	£000	£000	£000	£000	£000	£000	£000
Budget							
Approved	111,998	176,953	61,549	15,474	12,800	-	378,774
Variations							
New projects	-	200	1,610	-	-	-	1,810
Existing projects	(13,915)	6,440	2,688	-	-	5,000	213
	(13,915)	6,640	4,298	-	-	5,000	2,023
Projected	98,083	183,593	65,847	15,474	12,800	5,000	380,797
Financing							
Approved							
Internal resources	75,261	126,257	48,176	15,474	12,800	-	277,968
External resources	36,737	50,696	13,373	-	-	-	100,806
	111,998	176,953	61,549	15,474	12,800	-	378,774
Variations							
Internal resources	(14,820)	7,824	3,433	-	-	5,000	1,437
External resources	905	(1,184)	865	-	-	-	586
	(13,915)	6,640	4,298	-	-	5,000	2,023
Projected							
Internal resources	60,441	134,081	51,609	15,474	12,800	5,000	279,405
External resources	37,642	49,512	14,238	-	-	-	101,392
Variance	98,083	183,593	65,847	15,474	12,800	5,000	380,797

- 2.9 This report recommends variations to the approved programme totalling an increase of £2.0 million, which brings the total revised programme to £380.8 million.

- 2.10 Details of all the projects that have contributed to the overall increase of £2.0 million in the General Revenue Account capital programmes 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;
- An increase totalling £1.4 million is proposed for the Disabled Facilities Grant capital programme to reflect additional grant allocation for 2020-2021;
 - A net increase of £1.2 million relating to the Street Lighting within the Transportation capital programme to correct a budget removed in quarter 3 2019-2020 review;
 - In addition to this, there is an increase totalling £330,000 relating to the Education capital programme which reflects Schools contributions towards the costs of ICT and equipment;
 - The increase in expenditure detailed above is offset in part by £804,000 decrease in the provision for Equal Pay.
- 2.11 The outturn expenditure for 2019-2020 for existing projects totals £98.1 million. This represents 87.6% of the approved budget.
- 2.12 On 4 March 2020, Council approved a revised HRA capital programme totalling £462.3 million for the period 2019-2020 to 2024-2025.
- 2.13 Table 2 shows the approved HRA capital programme budget compared with that proposed, along with the resources identified to finance the proposed change.

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	2024 - 2025 £000	Total £000
Budget							
Approved	63,596	79,708	82,828	83,790	83,640	68,690	462,252
Variations							
New projects	-	-	-	-	-	-	-
Existing projects	(5,241)	(7,514)	2,594	1,750	250	8,141	(20)
	(5,241)	(7,514)	2,594	1,750	250	8,141	(20)
Projected	58,355	72,194	85,422	85,540	83,890	76,831	462,232
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
Variations							
Internal resources	(4,959)	(7,898)	2,594	1,750	250	8,141	(122)
External resources	(282)	384	-	-	-	-	102
	(5,241)	(7,514)	2,594	1,750	250	8,141	(20)
Projected							
Internal resources	57,928	71,810	85,422	85,540	83,890	76,831	461,421
External resources	427	384	-	-	-	-	811
Projected	58,355	72,194	85,422	85,540	83,890	76,831	462,232

- 2.14 This report recommends variations to the approved programme totalling a decrease of £20,000, bringing the total revised programme to £462.2 million.

- 2.15 The decrease of £20,000 relates to the Care and Support Specialised Housing Fund (CAASH Fund) capital programme which is due to release of the final account accrual.
- 2.16 The outturn expenditure for 2019-2020 for HRA existing projects totals £58.4 million. This represents 91.8% of the approved budget.

3.0 Existing projects

- 3.1 The changes proposed for existing projects within the General Revenue Account capital programme total a net increase of £2.0 million. A more detailed listing of the individual projects can be found in Appendices 1 and 2 of the report.
- 3.2 Proposed budget virements between existing projects within the General Revenue Account capital programme total £12.0 million, further details are provided in Appendix 4 of the report.
- 3.3 The following paragraphs provide commentary on the significant changes to budgets and an update on key projects.
- 3.4 As reported to Cabinet and Cabinet (Resources) Panel on 23 June 2020, the site works have been currently suspended on the Civic Hall refurbishment project for a duration of 12 weeks which started from the 24 April 2020 due to the Health & Safety issues related to the Coronavirus.

The cost appraisal and agreement process, and design development have been continuing to progress as the project is currently working under the Pre-Construction Services Delivery Agreement which will complete on the 30 June 2020.

- 3.5 The Interchange scheme budget remains as per the approved budget 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 was completed on 13 March 2020 and opened to the public on 25 May 2020. Phase 2 of the development is underway and due for completion in early 2021.
- 3.6 During the latter stages of 2019, planning consent was granted for the City Learning Quarter and the Council assumed responsibility for the new Technical Centre project at Wellington Road. Initial archaeological works have also been undertaken. Further detailed refinement of design proposals for the new College building and completion of the final acquisition has now been completed and a full tender package is now ready for issue to the market. In spring 2020, funding was made available for detailed site investigation and design at Wellington Road which is now underway. A funding application was submitted to the Black Country Local Economic Partnership (BCLEP) in June 2019, however a decision on funding is still awaited.
- 3.7 In relation to the Westside project, dialogue is continuing with the developer Urban & Civic and Odeon (as anchor tenant).
- 3.8 In relation to i54 Western Extension, construction of the first phase including the Access Road was completed in March 2020 ahead of programme. The next phase of work comprising platform preparation, services infrastructure and landscaping commenced in

April 2020 and the fully serviced development plots is programmed to be completed during Summer 2021.

- 3.9 In relation to i9, construction activities were initially delayed at the office development in the city. Through joint working with the contractor Grahams alongside ION, the establishment of a shared Covid-19 contingency sum addressed and covered any initial increases in material cost. Construction works are now on site. These works are programmed to complete in Summer 2021.
- 3.10 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 complete in time to allow for increased pupil numbers in September 2020. Work on both schemes was impacted by the coronavirus lockdown but easing measures since 1 June have led to contractors being back on site (with appropriate measures in place).
- 3.11 The HRA capital programme delivered £58.4 million of expenditure in 2019-2020 which included £15.0 million of new build projects and delivered 158 new homes. £43.4 million was spent on improvements to the existing stock including £16.1 million on the Heath Town refurbishment programme, £4.8 million upgrading the infrastructure of High Rise blocks and £5.3 million on roof replacement. The budget of £72.2 million for 2020-2021 includes £26.0 million on new build projects and £46.2 million of improvements to existing homes which relates to continuing projects and rolling replacement programmes.
- 3.12 Covid 19 has had an impact on the HRA capital programme for 2020-2021 due to work stopping on site in late March. Work underway on new build schemes had restarted by May along with work in empty properties. Work on refurbishment programmes is planned to remobilise in three phases, starting with external works in late June with preparations being made to start work in communal areas and then finally inside occupied properties when it is safe enough to do so. Due to this, £7.5 million of budget has been rephased into future financial years. This includes a £3.5 million proposed virement from the roofing refurbishment programme to the budget for High Rise Mechanical and Electrical Works. Other rephasing includes £1.2 million void refurbishment, £1.4 million high rise external works and £1.1 million fire safety improvements.

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, and 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 3 of the report.

Table 3: Summary of new projects requiring approval

Directorate	2019-2020 to 2024-2025		
	Forecast outturn	Additional external resources required	Virements from existing projects
	£000	£000	£000
General Revenue Account capital programme	1,810	200	1,610
Total	1,810	200	1,610

- 4.2 The new projects requiring approval are funded from external resources (£200,000) and virements totalling £1.6 million. A list of the virements can be found in Appendix 4 of the report.
- 4.3 The increase of £200,000 relates to the Disabled Facilities Grant capital programme. Approval is sought for the Rehabilitation Equipment 2020-2021 project to reflect an additional grant allocation.
- 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 £1.6 million of virements are requested to allocate ICT capital programme provision to specific projects. Approval is sought to allocate resources in 2021-2022 to individual ICT Main Programme projects (£1.2 million) and to Future Developments (£419,000).

5.0 Medium term capital programme financing

- 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

General Revenue Account capital programme	2019-2020 to 2024-2025			
	Approved budget	Recommended budget	Variance	Resource as % of expenditure
	£000	£000	£000	
Expenditure	378,774	380,797	2,023	
Financing				
Internal resources				
Capital receipts	114,765	109,875	(4,890)	28.9%
Prudential borrowing	161,279	167,426	6,147	44.0%
Revenue contributions	1,924	2,104	180	0.6%
Reserves	-	-	-	0.0%
Subtotal	277,968	279,405	1,437	73.5%
External resources				
Grants & contributions	100,806	101,392	586	26.5%
Subtotal	100,806	101,392	586	26.5%
Total	378,774	380,797	2,023	100.0%

Housing Revenue Account capital programme	2019-2020 to 2024-2025			
	Approved budget £000	Recommended budget £000	Variance £000	Resource as % of expenditure
Expenditure	462,252	462,232	(20)	
Financing				
Internal resources				
Capital receipts	43,378	40,877	(2,501)	8.8%
Prudential borrowing	288,267	290,414	2,147	62.8%
Revenue contributions	18,865	18,865	-	4.1%
Reserves	111,033	111,265	232	24.1%
Subtotal	461,543	461,421	(122)	99.8%
External resources				
Grants & contributions	709	811	102	0.2%
Subtotal	709	811	102	0.2%
Total	462,252	462,232	(20)	100.0%

5.2 Capital receipts totalling £108.3 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 reduction of £4.9 million when compared to the approved budget. The variance has arisen due to the WV Living loan repayment being reprofiled out of scope of the Medium Term capital programme which was offset in part by increased 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.

Whilst the forecast of capital receipts is deemed prudent at this stage, it will continue to be monitored closely throughout the financial year in light of the impact of the Covid-19 pandemic. In the event that capital receipts assumptions change, updates will be provided in future reports to Councillors.

Table 5: Receipts assumed in the revised General Revenue Account 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	13,500	41,000	22,900	10,900	10,000	10,000	108,300

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.

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 2020-2021 and anticipated budget requirement 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 – Annual Report 2019-2020 and Activity Monitoring Quarter One 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	(74)	(28)	163	140	140	140
minimum revenue provision	-	(531)	32	292	148	154
Net revenue cumulative impact	(74)	(559)	195	432	288	294

[RJ/24062020/Y]

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.

[TS/26062020]

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 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 could have health and wellbeing implications, these should be considered when individual capital projects are being developed.

16.0 Covid Implications

- 16.1 The Covid-19 pandemic has had a significant international, national and regional impact, and will continue to have, significant financial implications for the Council. Covid-19 has had an impact on development projects internationally, nationally and regionally and also on projects within the City.

Specific references are made where appropriate throughout the report.

17.0 Schedule of background papers

- 17.1 Council, 4 March 2020 – [Capital programme 2019-2020 to 2023-2024 Quarter Three Review and 2020-2021 to 2024-2025 Budget Strategy](#)
- 17.2 Cabinet (Resources) Panel, 31 March 2020 - [Parks and Open Spaces Strategy – Capital Programme](#)
- 17.3 Individual Executive Decision Notice, 2 April 2020 - Bushbury Crematorium: Capacity Increase
- 17.4 Individual Executive Decision Notice, 20 May 2020, exempt - [Corporate Asset Management Fund - Approval of Schemes for 2020/21](#)
- 17.5 Cabinet, 3 June 2020 - [Transportation Capital Programme 2020-2021](#)

- 17.6 Cabinet (Resources) Panel, 23 June 2020, exempt - [Schools Capital Programme 2020-21](#)
- 17.7 Cabinet (Resources) Panel, 23 June 2020, exempt - Covid 19 – [Impact on the capital programme](#)
- 17.8 Cabinet (Resources) Panel, 23 June 2020, exempt - [Loan to Wolverhampton Homes for purchase of properties](#)

18.0 Appendices

- 18.1 Appendix 1 – Detailed projected budget
- 18.2 Appendix 2 – Detailed forecast change
- 18.3 Appendix 3 – Projects requiring approval
- 18.4 Appendix 4 – Virements for approval