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| <b>CITY OF<br/>WOLVERHAMPTON<br/>COUNCIL</b> | <b>Cabinet</b><br><b>22 February 2023</b> |
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| <b>Report title</b>                            | Capital Programme 2022-2023 to 2026-2027<br>Quarter Three Review and 2023-2024 to<br>2027-2028 Budget Strategy |   |
| <b>Decision designation</b>                    | RED  |   |
| <b>Cabinet member with lead responsibility</b> | Councillor Obaida Ahmed<br>Resources and Digital City  |   |
| <b>Key decision</b>                            | Yes  |   |
| <b>In forward plan</b>                         | Yes  |   |
| <b>Wards affected</b>                          | All Wards  |   |
| <b>Accountable Director</b>                    | Tim Johnson, Chief Executive   |   |
| <b>Originating service</b>                     | Strategic Finance  |   |
| <b>Accountable employee</b>                    | Claire Nye<br>Tel<br>Email   | Director of Finance<br>01902 550475<br><a href="mailto:Claire.Nye@wolverhampton.go.uk">Claire.Nye@wolverhampton.go.uk</a> |
| <b>Report to be/has been considered by</b>     | Strategic Executive Board<br>Council   | 7 February 2023<br>1 March 2023   |

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**Recommendations for decision:**

The Cabinet recommend that Council approve:

1. The updated City of Wolverhampton Capital Strategy.
2. The revised, medium term General Revenue Account capital programme of £351.5 million, an increase of £11.1 million from the previously approved programme, and the change in associated resources.

The Cabinet is recommended to:

1. Approve the virements for the General Fund capital programme detailed at Appendix 5 to the report for;
  - i. existing projects totalling £10.7 million;
  - ii. new projects totalling £1.8 million.

2. Approve entry into all necessary legal agreements with the West Midlands Combined Authority (WMCA) for the City Regional Sustainable Transport Settlement (CRSTS) allocation towards the Regional Transport Coordination Centre (RTCC) Signal Upgrades scheme detailed in Appendix 4
3. Approve entry into all necessary legal agreements with the Black County Transport (BCT) Walk/Cycle and Bus Priority Improvement Measures (A4123) schemes detailed in Appendix 4.
4. Continue both delegations to the Portfolio Holder responsible for Resources and Digital City, in consultation with the Director of Finance, to approve the allocation of:
  - i. The Corporate Provision for Future Programmes budget 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.

## **1.0 Purpose**

- 1.1 To provide Cabinet with an update on the 2022-2023 financial performance of the General Fund and Housing Revenue Account (HRA) capital programmes, whilst also providing a revised forecast for 2022-2023 to 2026-2027 as at quarter three 2022-2023.
- 1.2 To recommend revisions to the current approved capital programme covering the period 2022-2023 to 2027-2028.

## **2.0 Background**

- 2.1 On 7 December 2022, Council approved a General Fund capital programme totalling £338.8 million and a Housing Revenue Account (HRA) totalling £401.8 million for the period 2022-2023 to 2026-2027. Since reporting to Council on 7 December 2022 further reports have been approved, increasing the General Fund Capital Programme by £1.6 million to £340.4 million, fully funded from external resources. Since reporting to Council on 7 December 2022, an increase to the HRA Capital Programme totalling £198.1 million has been approved by Council on 25 January 2023 to the HRA Capital Programme in the HRA Business Plan, taking it to £599.9 million, funded by a mixture of internal and external resources.
- 2.2 The capital programme underpins Our City: Our Plan, was first approved by Council on 2 March 2022. To ensure that the Council's resource continue to be aligned the needs and priorities of local people the plan has been refreshed and developed alongside the MTFS. The refreshed Our City: Our Plan is also scheduled to be considered by Cabinet on 22 February 2023 and Council on 1 March 2023
- 2.3 The plan continues to identify an overarching ambition that 'Wulfrunians will live longer, healthier lives' delivered through six Council Plan priorities:
  - Strong families where children grow up well and achieve their full potential
  - Fulfilled lives with quality care for those that need it
  - Healthy, inclusive communities
  - Good homes in well connected neighbourhoods
  - More local people into good jobs and training
  - Thriving economy in all parts of the city
- 2.4 These priorities together with the associated key outcomes, objectives and activity form a framework to improve outcomes for local people and deliver our levelling up ambitions.
- 2.5 Supporting the six overarching priorities are three cross cutting principles
  - Climate Conscious
  - Driven by Digital
  - Fair and Equal

- 2.6 An updated Our City, Our Plan is presented to Cabinet (for recommendation to Council) on this same agenda.
- 2.7 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.
- 2.8 The capital programme also reflects the priorities of the Strategic Asset Management Plan. Individual capital project delivery milestones are set and financial analysis is undertaken over the lifecycle of each project, by project managers in conjunction with Strategic Finance, and is captured in the Council's project management system. Regular project delivery updates are provided through the relevant governance structures (including Project Assurance Group where appropriate) enabling robust governance and challenge. In addition to this, a Capital Projects Member Reference Group provides enhanced project governance and challenge.
- 2.9 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.
- 2.10 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.
- 2.11 Inflation has been at the highest it has been for four decades and there is considerable uncertainty and risk of inflationary pressures across the capital programme, increases in the cost of materials are already being realised, which have resulted in budget increases on a number of projects across the General Fund capital programme. The Council will continue to monitor and report on the ongoing impact of inflation. The impact of inflation on the HRA capital programme was reported as part of the HRA Business Plan including rent and service charges annual report to Cabinet on 18 January 2023, as detailed in 4.13.
- 2.12 In addition to inflation risks, there are also supply chain delays, which could impact completion dates on projects and result in further cost pressures. The Council continues to assess the potential implications on its wider capital programme in terms of delivery timescales and increases in costs. Project contingency budgets are viewed in light of these pressures in order to mitigate against such cost increases, however these are

unprecedented market conditions and the ongoing risk should be noted. 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 Our City, Our Plan.

### **3.0 Capital programme - Summary**

3.1 On 7 December 2022, Council approved a General Fund capital programme totalling £338.8 million for the period 2022-2023 to 2026-2027. Since then, further reports have been approved to increase this amount by £1.6 million to £340.4 million, fully funded from external resources. Full details can be found in Appendix 2 to the report and are summarised below:

Supplementary budget approvals have been sought for:

- £1.0 million A461 Walk, Cycle and Bus Corridor scheme, funded through the City Region Sustainable Transport Settlement (CRSTS). City of Wolverhampton Council is managing this scheme on behalf of Dudley and Sandwell Councils;
- £480,000 for the refurbishment of the ground floor of the Civic Centre which is to be occupied by the Black Country Healthcare NHS Foundation Trust (BCHFT) headquarters on a leasehold basis. These works are fully funded from BCHFT contributions;
- £115,000 for the Black Country Transport Capital Programme for the development of two schemes; Black Country Active Travel Routes, fully funded through Transforming Cities Fund (TCF) Tranche 1 grant;
- £44,000 for Family Hubs, funded by the Family Hubs and Start for Life programme grant from the Department for Education (DfE).

3.2 In addition to this, reallocation of resources totalling £835,000 from the Corporate Provision for Future Programmes budget to various individual projects has been approved, details of which can be found in Appendix 3 to the report and are summarised below:

- £650,000 for the refurbishment at the Crown Street Recycle Waste Site, to ensure the existing recycling waste site is operating safely;
- £111,000 for the purchase of two Battery Electric Caged Tippers, to enable quiet, efficient and emission free cleansing of pedestrian areas and parks across the City in further support of the Council's climate change agenda;
- £74,000 to facilitate plant room upgrade works at West Park Team Rooms. This will improve and invest in physical assets to meet statutory requirements and modern day standards whilst ensuring that the Council's properties are fit for purpose and meet current and future service needs.

3.3 At the end of quarter three of the 2022-2023 financial year, expenditure for General Fund existing projects totals £40.7 million compared to the projected budget of £97.4 million.

- 3.4 This report considers further specific changes to budgets. A full list of the proposed capital programme can be found in Appendix 2 to the report.
- 3.5 Table 1 shows the approved General Fund capital programme budget compared with that proposed, along with the resources identified to finance the proposed change.

**Table 1: Summary of the General Fund capital programme**

| General Fund capital programme | 2022 - 2023     | 2023 - 2024    | 2024 - 2025   | 2025 - 2026  | 2026 - 2027  | 2027 - 2028 | Total          |
|--------------------------------|-----------------|----------------|---------------|--------------|--------------|-------------|----------------|
|                                | £000            | £000           | £000          | £000         | £000         | £000        | £000           |
| <b>Budget</b>                  |                 |                |               |              |              |             |                |
| <b>Approved</b>                | 114,660         | 159,352        | 49,814        | 9,810        | 6,811        | -           | <b>340,447</b> |
| <b>Variations</b>              |                 |                |               |              |              |             |                |
| New projects                   | 1,055           | 1,743          | -             | -            | -            | -           | <b>2,798</b>   |
| Existing projects              | (18,241)        | 7,277          | 19,239        | -            | -            | -           | <b>8,275</b>   |
|                                | <b>(17,186)</b> | <b>9,020</b>   | <b>19,239</b> | -            | -            | -           | <b>11,073</b>  |
| <b>Projected</b>               | <b>97,474</b>   | <b>168,372</b> | <b>69,053</b> | <b>9,810</b> | <b>6,811</b> | -           | <b>351,520</b> |
| <b>Financing</b>               |                 |                |               |              |              |             |                |
| <b>Approved</b>                |                 |                |               |              |              |             |                |
| Internal resources             | 50,444          | 59,818         | 34,263        | 5,053        | 2,054        | -           | <b>151,632</b> |
| External resources             | 64,216          | 99,534         | 15,551        | 4,757        | 4,757        | -           | <b>188,815</b> |
|                                | <b>114,660</b>  | <b>159,352</b> | <b>49,814</b> | <b>9,810</b> | <b>6,811</b> | -           | <b>340,447</b> |
| <b>Variations</b>              |                 |                |               |              |              |             |                |
| Internal resources             | (12,951)        | 10,170         | 6,367         | -            | -            | -           | <b>3,586</b>   |
| External resources             | (4,235)         | (1,150)        | 12,872        | -            | -            | -           | <b>7,487</b>   |
|                                | <b>(17,186)</b> | <b>9,020</b>   | <b>19,239</b> | -            | -            | -           | <b>11,073</b>  |
| <b>Projected</b>               |                 |                |               |              |              |             |                |
| Internal resources             | 37,493          | 69,988         | 40,630        | 5,053        | 2,054        | -           | <b>155,218</b> |
| External resources             | 59,981          | 98,384         | 28,423        | 4,757        | 4,757        | -           | <b>196,302</b> |
| <b>Projected</b>               | <b>97,474</b>   | <b>168,372</b> | <b>69,053</b> | <b>9,810</b> | <b>6,811</b> | -           | <b>351,520</b> |

- 3.6 This report recommends variations to the approved capital programme totalling a net increase of £11.1 million, which brings the total revised programme to £351.5 million.
- 3.7 Details of all projects that have contributed to the overall increase of £11.1 million in the General Fund capital programme can be found in Appendices 2 and 3 to the report, however, the key projects are as follows;
- An increase of £5.4 million is proposed for the Disabled Facilities Grant capital programme within the City Housing, to reflect additional grant allocation in 2023-2024 received from the Department for Levelling Up, Housing and Communities (DLUHC);
  - The Corporate Provision for Future Programmes is proposed to be revised upwards by £3.4 million over the medium term capital programme to utilise capital receipts increases from the targeted disposals of the Council's assets identified as surplus, to ensure additional contingency is in place to meet ongoing inflationary pressures. There are also potential future budget requirements within various service areas including ICT, Corporate Asset Management, Fleet and Waste. Budget provision has been incorporated into the Corporate Provision for Future Programmes in order to be prudent at this stage and will be allocated to individual

projects using appropriate delegations, as and when appropriate bids are brought forwards. Allocations will be reported at each Quarterly Review. Future requirements across the capital programme remain under review.

- New, externally funded projects totalling £986,000 are proposed. These are detailed in 5.3;
- An increase totalling £790,000 is proposed for the Schools Devolved Formula Capital programme within the Education capital programme, fully funded by grant from the Department for Education (DfE);
- There is an increase of £238,000 relating to Migrate Care First to Eclipse - Adults and Finance Module project with the ICT capital programme, funded by grant from the Department of Health and Social Care (DHSC);
- In addition to this, further increase of £70,000 is proposed for the Victoria Street Public Realm (Westside Link Phase 1) project with the Transportation capital programme, following a contribution from the Licencing reserve;
- Finally, an increase totalling £130,000 is proposed for the East Park Improvements project within the Parks Strategy and Open Spaces capital programme, funded by contribution from the Public Health reserve;

3.8 On 25 January 2023, Council approved a revised HRA capital programme totalling £559.9 million. Of the approved £559.9 million HRA budget, £72.2 million relates to the 2022-2023 financial year. Expenditure to the end of quarter three 2022-2023 for existing HRA projects totals £39.8 million compared to the projected budget of £72.2 million.

3.9 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 | 2022 - 2023   | 2023 - 2024    | 2024 - 2025    | 2025 - 2026    | 2026 - 2027   | 2027 - 2028   | Total          |
|---|---------------|----------------|----------------|----------------|---------------|---------------|----------------|
|   | £000          | £000           | £000           | £000           | £000          | £000          | £000           |
| <b>Budget</b>                             |               |                |                |                |               |               |                |
| <b>Approved</b>                           | 72,240        | 131,111        | 142,117        | 106,290        | 77,630        | 70,498        | <b>599,886</b> |
| <b>Projected</b>                          | <b>72,240</b> | <b>131,111</b> | <b>142,117</b> | <b>106,290</b> | <b>77,630</b> | <b>70,498</b> | <b>599,886</b> |
| <b>Financing</b>                          |               |                |                |                |               |               |                |
| <b>Approved</b>                           |               |                |                |                |               |               |                |
| Internal resources                        | 72,224        | 128,111        | 140,117        | 106,290        | 77,630        | 70,498        | <b>594,870</b> |
| External resources                        | 16            | 3,000          | 2,000          | -              | -             | -             | <b>5,016</b>   |
|   | <b>72,240</b> | <b>131,111</b> | <b>142,117</b> | <b>106,290</b> | <b>77,630</b> | <b>70,498</b> | <b>599,886</b> |
| <b>Projected</b>                          |               |                |                |                |               |               |                |
| Internal resources                        | 72,224        | 128,111        | 140,117        | 106,290        | 77,630        | 70,498        | <b>594,870</b> |
| External resources                        | 16            | 3,000          | 2,000          | -              | -             | -             | <b>5,016</b>   |
| <b>Projected</b>                          | <b>72,240</b> | <b>131,111</b> | <b>142,117</b> | <b>106,290</b> | <b>77,630</b> | <b>70,498</b> | <b>599,886</b> |

## **4.0 Existing projects**

- 4.1 The changes proposed for existing projects within the General Fund capital programme total an increase of £11.1 million as outlined in section 3. A more detailed listing of the individual projects can be found in Appendices 2 and 3 to the report.
- 4.2 Requests for budget virements between existing projects within the General Fund capital programme total £10.7 million, further details provided in Appendix 5 to the report.
- 4.3 The following paragraphs provide commentary on the key changes to budgets and an update on key projects.

### **Civic Halls**

- 4.4 A major milestone was reached when practical completion took place and The Halls were transferred to AEG Presents on 6 December 2022. The majority of the public realm works have also been completed to programme.
- 4.5 The project team continue to work with AEG on the final fit out works as part of the contract ahead of The Halls opening in June 2023.

### **Interchange**

- 4.6 Following completion of the Train Station, work continues to enable full handover to the Station Facility Owner (SFO) with the majority of snagging items having been addressed to the partners satisfaction. Work is ongoing to complete the Metro Line extension including the establishment of the plaza space outside of the station (following significant progress across the period), the Metro connection and cycle parking as the final components of the multi-modal transport interchange. In collaboration with the Transport for West Midlands (TfWM) and the Midlands Metro Alliance (MMA), who are delivering the project, a detailed programme of works has been set out to ensure completion of the tramline extension within the coming months.
- 4.7 Senior engagement is ongoing with Network Rail and West Midlands Trains to ensure continued improvements to the trackside station facility, treatment of the multi-story car park facade and wider connections to the Station, are agreed and programmed.

### **City Learning Quarter**

- 4.8 City Learning Quarter (CLQ) is one of the Council's top regeneration priorities being fundamental to the levelling up approach for the City. The Council is managing the delivery of the CLQ programme which includes Phase 1, CoWTechC (City of Wolverhampton College Technical Centre) and Phase 2, which will create a life long learning hub in Wolverhampton City Centre comprising a new, refurbished and extended College building, integrated and improved Library and Adult Education facilities at land around the existing College's Metro One building at Bilston Street.
- 4.9 The CLQ Programme has successfully secured public funding of approximately £59.0 million from multiple sources. Phase 1, CoWTechC has benefited from Black Country



Local Enterprise Partnership (BCLEP) and West Midlands Combined Authority (WMCA) grant awards while Phase 2 will be funded by a combination of BCLEP, Council Contribution, Towns Fund, Levelling Up Fund and Department for Education Capital Funding.

- 4.10 Both Phase 1 and Phase 2 are at the procurement / pre construction stages with successful contractors for CowTechC, Main College building works and Central Library Façade restoration works identified and approved through the Council's internal Governance processes. Construction activity is expected to commence during Summer 2023 with the completion of all college buildings by late Autumn 2024.

#### **I54 Western Extension**

- 4.11 This is a joint venture construction project with Staffordshire County Council, which reached practical completion stage in Autumn 2021. Financial projections over the last twelve months have indicated that there will be significant savings against the joint venture budget of £38.5 million and the 2021-2022 outturn figures reported support this position. Whilst the project is still incurring residual capital expenditure as it moves through to the final completion and full plot occupation phases, latest estimates (including contingencies) indicate that there will be an overall joint venture project saving in the region of £12.9 million. The project has also secured additional grant support during its life as well as firm interest in the developed plots, both of which will have a positive impact on the Council's capital programme. There are several inter dependencies between the final project expenditure, final grant secured and the final value of capital receipts achieved which impact on the overall budget requirement for the City of Wolverhampton Council. As a result, the projections in this report continue to reflect the original budgetary position for the Council and will continue to do so until there is greater certainty across these variables as the project nears final completion.

#### **Housing Revenue Account (HRA)**

- 4.12 The forecast for the HRA 2022-2023 capital programme as at quarter 3 totals £72.2 million, as approved by Council on 25 January 2023 as part of the Housing Revenue Account Business Plan 2023-2024 including Rent and Service Charges Cabinet report of the 18 January 2023. The report sets out investment plans up to 2027-2028 based on the commitment to maximise the provision of additional homes whilst also prioritising the needs of existing stock with emphasis on building safety, decency, and energy efficiency.
- 4.13 The 2022-2023 forecast reflects the rephasing of budgets of £8.0 million, as was approved by Cabinet and Council in January 2023. As previously reported, the rephasing was necessary due to unprecedented market conditions that the construction industry is currently facing, with shortages of key building materials and cost increases significantly above the rate of inflation. There are also regional pressures affecting the supply chain and shortages of technical and professional staff. These factors have all combined to increase delivery costs and restrict ability to deliver which has further impact on capital projects and budget requirements.

4.14 In order to be prudent, there is an intentional ‘over-programming’ of projects to reflect the reality that some projects will inevitably be delayed due to unexpected circumstances or changes to priorities. Over-programming aims to ensure that, as far as possible, the resources available are fully utilised.

## 5.0 New projects and virements

5.1 Table 3 provides a summary of new projects requiring approval, covering the period 2022-2023 to 2027-2028, 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 4 to the report.

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

| Directorate  | 2022-2023 to 2027-2028 |   |  |
|--------------|------------------------|---|--|
|              | Forecast<br>outturn    | Additional<br>external<br>resources<br>required | Virements<br>from existing<br>projects |
|              | £000                   | £000  | £000                                   |
| General Fund | 2,798                  | 986   | 1,812                                  |
| <b>Total</b> | <b>2,798</b>           | <b>986</b>                                      | <b>1,812</b>                           |

5.2 The new projects requiring approval are funded from external resources (£986,000), and virements totalling £1.8 million. This is discussed below whilst a list of the virements can be found in Appendix 5 to the report.

5.3 Of the overall increase of £2.8 million for the General Fund capital programme, an increase totalling £986,000 is funded externally, of which:

- an increase of £500,000 is proposed for the Black Country Transport (BCT) Walk, Cycle and Bus Priority Improvement Measures (A4123) project within the Major Roads Network programme, fully funded by grant from the West Midlands Combined Authority (WMCA) through the City Regional Sustainable Transport Settlement (CRSTS) allocation;
- an increase of £161,000 relates to new Regional Transport Coordination Centre (RTCC) Signal Upgrades at Cannock Road and Birmingham New Road project within the Highway Improvement Programme. Work is proposed to upgrade two of the worst scoring junctions in collaboration with the Transport for West Midlands, fully funded by grant from the DfT;
- an increase totalling £155,000 relates to new Cost of Living Hub project within the Children’s Service (£120,000) and Vibrant High Streets (£35,000) projects, both fully funded by UK Shared Prosperity Fund (UKSPF) grant allocation from the Department for Levelling Up, Housing and Communities (DLUHC);
- £103,000 increase relates to new Waterhead Brook Flood Defence Works - Primrose Avenue Storm Water Retention Structure project within the Public Protection capital programme, funded in full by grant from the Environment Agency;

- finally, an increase of £67,000 relates to new Hickman Park Improvement project within the Parks Strategy and Open Space capital programme, fully funded by Levelling Up Parks Fund grant award from the DLUHC. It is proposed to increase the wildflower areas, tree planting and improvement to the pond as part of the Council's climate emergency agenda.
- 5.4 New projects created through virements from existing projects within the General Fund relate to Maintenance of unclassified roads, Schools Capital Maintenance and Corporate Asset Management Fund capital programmes and are summarised below. A detailed list of new projects can be found in Appendix 4 to the report.
- 5.5 In summary, approval for the following new projects created through the virements totalling £1.8 million is sought in this report:
- £1.0 million is proposed to be reallocated resources from the Provision for future programmes in the Maintenance of unclassified roads programme to new Public Realm Dudley Street project within the Transportation capital programme;
  - £450,000 is requested for seven new projects within the Corporate Asset Management capital programme for targeted priority works ensuring Council assets are fit for purpose and meet current and future service needs. These include a £230,000 investment in the Smestow Valley Nature Reserve and Cupcake Lane Car Park to ensure the continued safe access, management and enjoyment of the site and £120,000 of targeted refurbishment works in two of the Council's Strengthening Families Hubs to support wider improvements to Family Hubs and Start for Life services. This virement is proposed from the Corporate Provision for Future Programmes;
  - further to this, a virement of £190,000 is proposed from the Corporate Provision for Future Programmes to accommodate two new Service Led ICT projects within the ICT capital programme, ensuring that current corporate priorities are met and reflected;
  - finally, virements totalling £172,000 are required for eight new projects within the Schools Capital Maintenance capital programme, to facilitate works across various schools in the City. Virements are funded externally by grant from the DfE.
- 5.6 On 6 July 2022, Cabinet approved the recommendation to delegate authority to the Deputy Director of Assets to approve virements from the Provision for future programmes budget within the Corporate Asset Management capital programme to individual schemes in order that corporate priorities can be addressed in an agile and timely manner. It should be noted that there were five virements totalling £50,000 approved through the delegated authority to support urgent works. These can be seen in the Appendix 6 to the report.
- 5.7 The Energy from Waste (EFW) Plant has been returned into council operation following the expiry of a 25 year operate and maintain contract. A programme of capital work is likely to be required to be completed to ensure that the plant is brought up to current regulatory and industry standards, which would have been required regardless of which

operating model is in place. The full requirements will be evaluated with the support of the council's technical experts over the coming weeks, which will inform the nature and scope of what is required. The Corporate Provision for Future Programmes includes an allocation of £7 million to support any costs associated with the scheme. Budget allocation will be subject to business case and necessary approvals as appropriate.

## 6.0 Medium term capital programme financing

6.1 Table 4 details the approved financing for the capital programme for 2022-2023 to 2027-2028 and incorporates the requested approvals for projects included in this report.

**Table 4: Approved and forecast capital financing 2022-2023 to 2027-2028**

| General Fund capital programme | 2022-2023 to 2027-2028 |                    |               |                              |
|--------------------------------|------------------------|--------------------|---------------|------------------------------|
|                                | Approved budget        | Recommended budget | Variance      | Resource as % of expenditure |
|                                | £000                   | £000               | £000          |                              |
| <b>Expenditure</b>             | <b>340,447</b>         | <b>351,520</b>     | <b>11,073</b> |                              |
| <b>Financing</b>               |                        |                    |               |                              |
| Internal resources             |                        |                    |               |                              |
| Capital receipts               | 57,262                 | 62,722             | 5,460         | 17.8%                        |
| Prudential borrowing           | 93,117                 | 91,043             | (2,074)       | 25.9%                        |
| Revenue contributions          | 1,253                  | 1,453              | 200           | 0.4%                         |
| Reserves                       | -                      | -                  | -             | 0.0%                         |
| <b>Subtotal</b>                | <b>151,632</b>         | <b>155,218</b>     | <b>3,586</b>  | <b>44.1%</b>                 |
| External resources             |                        |                    |               |                              |
| Grants & contributions         | 188,815                | 196,302            | 7,487         | 55.9%                        |
| <b>Subtotal</b>                | <b>188,815</b>         | <b>196,302</b>     | <b>7,487</b>  | <b>55.9%</b>                 |
| <b>Total</b>                   | <b>340,447</b>         | <b>351,520</b>     | <b>11,073</b> | <b>100.0%</b>                |

| Housing Revenue Account capital programme | 2022-2023 to 2027-2028 |                    |          |                              |
|---|------------------------|--------------------|----------|------------------------------|
|   | Approved budget        | Recommended budget | Variance | Resource as % of expenditure |
|   | £000                   | £000               | £000     |                              |
| <b>Expenditure</b>                        | <b>599,886</b>         | <b>599,886</b>     | <b>-</b> |                              |
| <b>Financing</b>                          |                        |                    |          |                              |
| Internal resources                        |                        |                    |          |                              |
| Capital receipts                          | 33,139                 | 33,139             | -        | 5.5%                         |
| Prudential borrowing                      | 422,693                | 422,693            | -        | 70.5%                        |
| Revenue contributions                     | 5,279                  | 5,279              | -        | 0.9%                         |
| Reserves                                  | 133,759                | 133,759            | -        | 22.3%                        |
| <b>Subtotal</b>                           | <b>594,870</b>         | <b>594,870</b>     | <b>-</b> | <b>99.2%</b>                 |
| External resources                        |                        |                    |          |                              |
| Grants & contributions                    | 5,016                  | 5,016              | -        | 0.8%                         |
| <b>Subtotal</b>                           | <b>5,016</b>           | <b>5,016</b>       | <b>-</b> | <b>0.8%</b>                  |
| <b>Total</b>                              | <b>599,886</b>         | <b>599,886</b>     | <b>-</b> | <b>100.0%</b>                |

6.2 Capital receipts totalling £62.7 million have been assumed within the General Fund capital programme over the medium term period 2022-2023 to 2027-2028 and can be seen in Table 5. This is an increase of £5.5 million when compared to the approved

budget, which has arisen due to increased forecast from the sale of assets and re-profiling of receipts and capital requirements.

- 6.3 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.
- 6.4 Whilst the forecast of capital receipts is deemed prudent at this stage, it will continue to be monitored closely throughout the financial year. 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 capital programme**

| General Fund               | Projected           |                     |                     |                     |                     |                     | Total<br>£000 |
|----------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------|
|                            | 2022 - 2023<br>£000 | 2023 - 2024<br>£000 | 2024 - 2025<br>£000 | 2025 - 2026<br>£000 | 2026 - 2027<br>£000 | 2027 - 2028<br>£000 |               |
| Capital programme receipts | 10,200              | 11,100              | 24,000              | 12,400              | 3,000               | 2,000               | 62,700        |

- 6.5 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.
- 6.6 Approval is also sought to continue both delegations to the Portfolio Holder responsible for Resources and Digital City in consultation with the Director of Finance to approve the allocation of the following;
- Corporate Provision for Future Programmes budget to individual projects in order that corporate priorities may be addressed 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.

**7.0 Key budget risks**

- 7.1 A key risk currently to the Council’s capital programme is the market rate of inflation and the impact this could have on costs to deliver projects. Inflation is at the highest it has been for four decades and there is considerable uncertainty which is impacting contract pricing. In addition to the inflationary risks there are also supply chain delays, which could impact completion dates on projects and result in further cost pressures. The position in relation to these risks, continues to be monitored and to mitigate these risks contingency budgets are being reviewed. The current market conditions are however unprecedented, therefore quantification of the value of risk to the Council at this time is difficult.
- 7.2 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](#)

7.3 The overall risk associated with the programme continuous to be quantified as amber.

## 8.0 Evaluation of alternative options

8.1 This report provides an update on progress of capital projects during 2022-2023 and anticipated budget requirement for future years. The evaluation of alternative project options is detailed in individual investment proposals.

## 9.0 Reasons for decisions

9.1 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.

## 10.0 Financial implications

10.1 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 Fund are fully reflected in the treasury management budget forecasts included in the report 'Treasury Management Strategy 2023-2024' also on the agenda for approval at this meeting.

10.2 Table below represents new capital grant notifications received during quarter three 2022-2023.

| Service                                | Funding body  | Name of new grant                           | £000         |
|--|---|---|--------------|
| City Housing                           | Department for Levelling Up, Housing and Communities          | Disabled Facilities Grant                   | 5,445        |
| School Planning & Resources            | Department for Education (DfE)                                | Devolved Capital                            | 790          |
| Transportation                         | Department for Transport via WMCA                             | CRSTS Major Scheme Allocation               | 500          |
| ICT                                    | Department of Health  | Capital Investment in Community Capacity    | 238          |
| Transportation                         | Department for Transport via WMCA                             | Transforming Cities Fund                    | 161          |
| Strengthening Families                 | Department for Levelling Up, Housing and Communities via WMCA | UK Shared Prosperity Fund                   | 120          |
| Public Protection                      | Environment Agency  | Waterhead Brook Community Resilience Scheme | 103          |
| Streets Grounds & Parks                | Department for Levelling Up, Housing and Communities          | Levelling Up Parks Fund                     | 67           |
| ICT                                    | Department for Levelling Up, Housing and Communities via WMCA | UK Shared Prosperity Fund                   | 63           |
| Transportation                         | Department for Levelling Up, Housing and Communities via WMCA | UK Shared Prosperity Fund                   | 35           |
| Transportation                         | Department for Transport (DfT) via WMCA                       | S31 Transport Highway Maintenance Fund      | 10           |
| Transportation                         | Department for Levelling Up, Housing and Communities via WMCA | UK Shared Prosperity Fund                   | 10           |
| Transportation                         | Sustrans  | National Cycle Routes*                      | (55)         |
| <b>Grand total grant notifications</b> |   |   | <b>7,487</b> |

\*Project completed, grant no longer required.

[RJ/14022023/T]

## **11.0 Legal implications**

- 11.1 Section 151 of the Local Government Act 1972 requires local authorities to make arrangements for the proper administration of their financial affairs.
- 11.2 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.
- 11.3 Each project mentioned in this report will have its own specific legal implications, raised and tailored in their respective reports.  
[DP/14022023/C]

## **12.0 Equalities implications**

- 12.1 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.
- 12.2 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.

## **13.0 All other Implications**

- 13.1 A wide range of projects delivered through the capital programme have significant environmental implications and are geared to promote improvements to the physical environment.
- 13.2 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.
- 13.3 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.

## **14.0 Schedule of background papers**

- 14.1 Individual Executive Decision Notice, 21 January 2020 – [Smart Intelligent Infrastructure Project](#);
- 14.2 Individual Executive Decision Notice, 17 August 2022 – [Black Country Transport: A34 Change Request Approval](#);
- 14.3 Council, 7 December 2022 - [Capital Programme 2022-2023 to 2026-2027 Quarter Two Review](#);

- 14.4 Individual Executive Decision Notice, 14 December 2022 - Supplementary Budget - Wolverhampton Civic Centre Office Refurbishment 2023-2024;
- 14.5 Individual Executive Decision Notice, 16 December 2022 - Corporate Asset Management Fund - Approval of West Park Tea Rooms Plant Upgrade;
- 14.6 Individual Executive Decision Notice, 21 December 2022 – [A461 CRSTS Supplementary Budget Approval](#);
- 14.7 Individual Executive Decision Notice, 24 January 2023 - [Corporate Asset Management Fund - Crown Street Recycle Waste Site Refurbishment](#);
- 14.8 Council, 25 January 2023 - [Housing Revenue Accounts Business Plan 2023-2024 including Rent and Service Charges](#);
- 14.9 Individual Executive Decision Notice, 27 January 2023 – [Expansion of Colton Hills Community School](#);
- 14.10 Individual Executive Decision Notice, 31 January 2023 – Allocation of the Corporate Provision for Future Programmes – Fleet Replacement Programme – Electric Tippers;
- 14.11 Individual Executive Decision Notice, 2 February 2023 – Establishment of 2022-2023 supplementary revenue budgets for Family Hubs and Start for Life Programme Grant.

## **15.0 Appendices**

- 15.1 Appendix 1: Capital Strategy
- 15.2 Appendix 2: Detailed projected budget
- 15.3 Appendix 3: Detailed forecast change
- 15.4 Appendix 4: Projects requiring approval
- 15.5 Appendix 5: Virements for approval
- 15.6 Appendix 6: Virements to note