

## Cabinet Meeting

### 20 February 2018

<b>Report title</b>	Capital Programme 2017-2018 to 2021-2022 quarter three review and 2018-2019 to 2022-2023 budget strategy	
<b>Decision designation</b>	RED	
<b>Cabinet member with lead responsibility</b>	Councillor Andrew Johnson Resources	
<b>Corporate Plan priority</b>	Confident Capable Council	
<b>Key decision</b>	Yes	
<b>In forward plan</b>	Yes	
<b>Wards affected</b>	(All Wards)	
<b>Accountable Director</b>	Keith Ireland, Managing Director	
<b>Originating service</b>	Strategic Finance	
<b>Accountable employee</b>	Claire Nye	Director of Finance
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<b>Report to be/has been considered by</b>	Strategic Executive Board	6 February 2018
	Council	7 March 2018

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### Recommendations for decision:

That the Cabinet recommends that Council:

1. Approves the revised medium term General Fund capital programme of £373.1 million, an increase of £33.8 million from the previously approved programme (paragraph 2.4 of the report), reflecting the latest projected expenditure for the medium term.
2. Approves the net additional General Fund resources of £33.8 million identified for;
  - i. 11 new projects totalling £12.6 million (paragraph 4.1 of the report);
  - ii. Civic Halls, an existing project, of £23.7 million as approved by Council on 31 January 2018 (paragraph 3.23 of the report);
  - iii. i9 Office Development, a new project, of £13.0 million (paragraph 4.5 of the report);
  - iv. 23 existing projects net decrease totalling £15.5 million (paragraph 3.23 of the report).

That the Cabinet is recommended to:

1. Approve the General Fund virements totalling £10.4 million detailed at Appendix 3 to the report for;
  - i. existing projects totalling £6.1 million (paragraph 3.24 of the report);
  - ii. new projects totalling £4.3 million (paragraph 4.2 of the report).
2. Approve the updated schedules of works for the capital projects under the following directorate (paragraph 3.25 of the report);
  - i. Corporate: ICTS and in relation to Education; Building Schools for the Future (BSF), Primary School Expansion Programme and Schools Capital Maintenance (Appendix 4 to the report).
  - ii. People: Sports Investment Strategy, Co-location Programme, Children in Need - Aiming High for Disabled Children and Early Education - Two Year Education Pilot (Appendix 5 to the report).
  - iii. Place: Corporate Asset Management Programme, Urban Parks Refurbishment Programme, Disposals Programme, Accessing Growth Fund, Southside Programme, Maintenance of unclassified roads, Non - Highway Structures, Highway Improvement Programme, Safety Programme, Maintenance of classified roads, Lighting up the City and Local Growth Funding (LGF) Feasibility (Appendix 6 to the report).
3. To continue both delegation to the Cabinet Member for Resources in consultation with the Director of Finance to approve the allocation of the following (paragraph 3.26 of the report);
  - i. Provision of the 'Corporate Contingency' to individual projects in order that corporate priorities may be addressed in a more agile and timely manner;
  - ii. Provision of 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.

**Recommendations for noting:**

The Cabinet is asked to note:

1. The General Fund expenditure position at quarter three of 2017-2018 for existing projects stands at 84.6% of the profiled projected budget (paragraph 3.3 of the report).
2. The General Fund forecast outturn for existing projects for 2017-2018 stands at 70.4% of the approved capital budget (paragraph 3.1 of the report).
3. The HRA expenditure position at quarter three of 2017-2018 for existing projects stands at 113.5% of the profiled projected budget (paragraph 3.4 of the report).

4. The HRA forecast outturn position for existing projects for 2017-2018 stands at 100% of the approved capital budget (paragraph 3.1 of the report).
5. There is one new project 'i9 Office Development' requiring internal resources included in this report but which is subject to a separate detailed project report also on this agenda. The inclusion of this project is for budget approval purposes and is on the assumption that the approval to progress with the project is given. As the progression is dependent on that decision, if the project is not approved, the capital programme will be reduced accordingly.

## 1.0 Purpose

- 1.1 To provide Cabinet with an update on the 2017-2018 financial performance of the General Fund and Housing Revenue Account (HRA) capital programmes and the revised forecast for 2017-2018 to 2022-2023 as at quarter three 2017-2018.
- 1.2 To recommend revisions to the current approved General Fund capital programmes covering the period 2018-2019 to 2022-2023.

## 2.0 Executive summary

- 2.1 This report considers specific changes to budgets. A full list of the capital programme can be found here:

<http://www.wolverhampton.gov.uk/article/7046/Medium-Term-Capital-Programme>

- 2.2 At its meeting on 13 December 2017, Council approved a General Fund capital programme totalling £339.3 million for the period 2017-2018 to 2021-2022. Of the approved capital programme totalling £339.3 million, £123.3 million relates to the 2017-2018 financial year.
- 2.3 Table 1 below shows the approved General Fund budget compared with that proposed, along with the resources identified to finance the proposed change.

**Table 1: Summary of the General Fund projects requiring approval**

General Fund	2017 - 2018	2018 - 2019	2019 - 2020	2020 - 2021	2021 - 2022	2022 - 2023	Total
	£000	£000	£000	£000	£000	£000	£000
<b>Budget</b>							
<b>Approved</b>	123,299	169,731	20,423	23,302	2,546	-	<b>339,301</b>
<b>Projects requiring approval:</b>							
New projects	5,958	4,372	10,492	4,789	-	-	<b>25,611</b>
Existing projects	(36,487)	(26,433)	54,110	13,656	3,336	-	<b>8,182</b>
	<b>(30,529)</b>	<b>(22,061)</b>	<b>64,602</b>	<b>18,445</b>	<b>3,336</b>	-	<b>33,793</b>
<b>Projected</b>	<b>92,770</b>	<b>147,670</b>	<b>85,025</b>	<b>41,747</b>	<b>5,882</b>	-	<b>373,094</b>
<b>Financing</b>							
<b>Approved</b>							
Internal resources	92,970	109,365	15,183	22,301	2,546	-	<b>242,365</b>
External resources	30,329	60,366	5,240	1,001	-	-	<b>96,936</b>
	<b>123,299</b>	<b>169,731</b>	<b>20,423</b>	<b>23,302</b>	<b>2,546</b>	-	<b>339,301</b>
<b>Projects requiring approval</b>							
Internal resources	(32,450)	4,065	33,984	13,987	3,336	-	<b>22,922</b>
External resources	1,921	(26,126)	30,618	4,458	-	-	<b>10,871</b>
	<b>(30,529)</b>	<b>(22,061)</b>	<b>64,602</b>	<b>18,445</b>	<b>3,336</b>	-	<b>33,793</b>
<b>Projected</b>							
Internal resources	60,520	113,430	49,167	36,288	5,882	-	<b>265,287</b>
External resources	32,250	34,240	35,858	5,459	-	-	<b>107,807</b>
<b>Variance</b>	<b>92,770</b>	<b>147,670</b>	<b>85,025</b>	<b>41,747</b>	<b>5,882</b>	-	<b>373,094</b>

- 2.4 This report recommends variations to the approved programme totalling an increase of £33.8 million bringing the total revised programme to £373.1 million.
- 2.5 Expenditure to the end of quarter three 2017-2018 for existing projects totals £34.8 million. This represents 84.6% of the profiled projected budget.
- 2.6 A forecast outturn for 2017-2018 for existing projects totals £86.8 million; this represents 70.4% of the approved budget.
- 2.7 On 31 January 2018, Council approved a revised HRA capital programme totalling £329.8 million for the period 2017-2018 to 2022-2023. Of this, £39.2 million relates to the 2017-2018 financial year.
- 2.8 Table 2 shows the approved budget for information only as there are no proposed changes to overall budget.

**Table 2: Summary of the HRA projects requiring approval or approved projects:**

Housing Revenue Account	2017 - 2018	2018 - 2019	2019 - 2020	2020 - 2021	2021 - 2022	2022 - 2023	Total
	£000	£000	£000	£000	£000	£000	£000
<b>Budget</b>							
Approved	39,201	64,390	69,390	67,650	51,910	37,300	329,841
Projected	39,201	64,390	69,390	67,650	51,910	37,300	329,841
<b>Financing</b>							
<b>Approved</b>							
Internal resources	39,168	63,470	69,390	67,650	51,910	37,300	328,888
External resources	33	920	-	-	-	-	953
	<b>39,201</b>	<b>64,390</b>	<b>69,390</b>	<b>67,650</b>	<b>51,910</b>	<b>37,300</b>	<b>329,841</b>
<b>Projected</b>							
Internal resources	39,168	63,470	69,390	67,650	51,910	37,300	328,888
External resources	33	920	-	-	-	-	953
Projected	39,201	64,390	69,390	67,650	51,910	37,300	329,841

- 2.9 Expenditure to the end of quarter three 2017-2018 for HRA existing projects totals £18.7 million. This represents 113.5% of the profiled projected budget.
- 2.10 A forecast outturn for 2017-2018 for existing projects totals £39.2 million; this represents 100.0% of the approved budget.

### 3.0 Existing projects

- 3.1 Table 3 provides an analysis of the projected budget forecast and the variations compared to the approved budget for existing projects. The table also shows the value of re-allocations from existing projects to new projects requiring approval. This is where budgets were previously approved at a programme level and now require allocation to individual projects. These new projects which are seeking approval can be found in section 4 'New projects and virements'.

**Table 3: Projected budgets for existing projects as at the end of quarter three of 2017-2018**

	General Fund				HRA £000	Total Capital Programme £000	See paragraph number
	Corporate	People	Place	Total			
	£000	£000	£000	£000			
<b>2017-2018</b>							
Approved budget	60,440	2,854	60,005	123,299	39,201	162,500	
<b>Projected budget</b>	<b>27,883</b>	<b>2,888</b>	<b>56,041</b>	<b>86,812</b>	<b>39,201</b>	<b>126,013</b>	2.6, 2.8
<b>Forecast as % of approved budget</b>	<b>46.1%</b>	<b>101.2%</b>	<b>93.4%</b>	<b>70.4%</b>	<b>100.0%</b>	<b>77.5%</b>	2.6, 2.8
Variance projected v approved over/(under)	(32,557)	34	(3,964)	(36,487)	-	(36,487)	3.5
Variance represented by:							
Re-phasing	(21,691)	20	(3,398)	(25,069)	-	(25,069)	3.6-3.12
Increase/(decrease)	(8,546)	14	1,066	(7,466)	-	(7,466)	3.13-3.16
Re-allocation to new projects requiring approval	(2,320)	-	(1,632)	(3,952)	-	(3,952)	3.17
Financing for projected variance:							
Internal resources	(29,674)	14	(1,207)	(30,867)	-	(30,867)	
Internal resources re-allocation to new projects requiring approval	(2,320)	-	(1,120)	(3,440)	-	(3,440)	
External resources	(563)	20	(1,125)	(1,668)	-	(1,668)	
External resources re-allocation to new projects requiring approval	-	-	(512)	(512)	-	(512)	
<b>2018-2019 to 2022-2023</b>							
Approved budget	91,121	1,273	123,608	216,002	290,640	506,642	
<b>Projected budget</b>	<b>105,336</b>	<b>1,253</b>	<b>154,082</b>	<b>260,671</b>	<b>290,640</b>	<b>551,311</b>	3.19
Variance projected v approved over/(under)	14,215	(20)	30,474	44,669	-	44,669	3.18
Variance represented by:							
Re-phasing	21,691	(20)	3,398	25,069	-	25,069	3.18
Increase/(decrease)	(7,476)	-	27,422	19,946	-	19,946	3.20-3.21
Re-allocation to new projects requiring approval	-	-	(346)	(346)	-	(346)	3.22
Financing for projected variance:							
Internal resources	13,652	-	27,077	40,729	-	40,729	
Internal resources re-allocation to new projects requiring approval	-	-	(176)	(176)	-	(176)	
External resources	563	(20)	3,743	4,286	-	4,286	
External resources re-allocation to new projects requiring approval	-	-	(170)	(170)	-	(170)	
<b>Overall summary</b>							
<b>Projected budget</b>	<b>133,219</b>	<b>4,141</b>	<b>210,123</b>	<b>347,483</b>	<b>329,841</b>	<b>677,324</b>	
Variance projected v approved over/(under)	(18,342)	14	26,510	8,182	-	8,182	3.23
Variance represented by:							
Re-phasing	-	-	-	-	-	-	
Increase/(decrease)	(16,022)	14	28,488	12,480	-	12,480	3.23
Re-allocation to new projects requiring approval	(2,320)	-	(1,978)	(4,298)	-	(4,298)	

## 2017-2018 approved budget

3.2 In order to identify the progression of capital projects so far in 2017-2018 Table 4 compares the capital expenditure as at December 2017 with the profiled projected budget for the same period.

**Table 4: Movement from approved budget to profiled projected budget compared to expenditure to the end of quarter three 2017-2018**

	General Fund				HRA £000	Total Capital Programme £000
	Corporate £000	People £000	Place £000	Total £000		
<b>2017-2018</b>						
<b>Approved budget</b>	<b>60,440</b>	<b>2,854</b>	<b>60,005</b>	<b>123,299</b>	<b>39,201</b>	<b>162,500</b>
Re-phasing of existing projects	(21,691)	20	(3,398)	(25,069)	-	(25,069)
Increase/(decrease) of existing projects	(10,866)	14	(566)	(11,418)	-	(11,418)
<b>Projected budget</b>	<b>27,883</b>	<b>2,888</b>	<b>56,041</b>	<b>86,812</b>	<b>39,201</b>	<b>126,013</b>
Projected budget to be spent in quarter four	(14,690)	(1,638)	(29,305)	(45,633)	(22,758)	(68,391)
<b>Profiled projected budget for quarter three</b>	<b>13,193</b>	<b>1,250</b>	<b>26,736</b>	<b>41,179</b>	<b>16,443</b>	<b>57,622</b>
Expenditure at the end of quarter three	8,301	1,151	25,390	34,842	18,657	53,500
Expenditure as % of profiled budget	62.9%	92.1%	95.0%	84.6%	113.5%	92.8%

- 3.3 General Fund capital expenditure to the end of quarter three stands at £34.8 million against the profiled projected budget of £41.2 million, which represents 84.6% of the profiled projected budget.
- 3.4 HRA capital expenditure to the end of quarter three stands at £18.7 million, against the profiled projected budget of £16.4 million, which represents 113.5% of the profiled projected budget.
- 3.5 As shown in Table 3, the latest financial information indicates the General Fund capital expenditure during 2017-2018 will be lower than the approved budget by £36.5 million. Of this, £25.1 million is due to re-phasing of projects whilst £7.5 million relates to decrease in the programme with £4.0 million relating to re-allocations from existing to new projects. Further details are discussed in the paragraphs below.
- 3.6 Corporate Directorate: there is re-phasing of £21.7 million which is a net position of £21.8 million slippage from 2017-2018 and £152,000 acceleration into 2017-2018. The main items of this re-phasing being;
- £18.8 million re-phasing for 'WV Living Phase 1 – Loans' to reflect updated business plan requirements for WV Living;
  - £2.2 million for Digital Transformation Programme's Provision for future programmes due to a number of procurement activities that are being planned for early 2018 with the anticipated award of contracts at the commencement of the 2018-2019 financial year;

- £420,000 for Schools 'Capital Maintenance – Heating Pipework Upgrades (boilers)' due to works being postponed by schools until the summer break period;
  - Acceleration of £150,000 relates to Aldersley High School within the Secondary School Expansion Programme. This relates to the capitalisation of feasibility expenditure, initially charged to revenue, following the consultation period and approval of the works at this school.
- 3.7 People Directorate: there is re-phasing of some £20,000 related to the Bentley Bridge Changing Places Toilet Facilities project, due to the works being accelerated and commencing in 2017-2018 now.
- 3.8 Place Directorate: there is re-phasing of £3.4 million with the main items being discussed in the paragraphs below by service area.
- 3.9 City Economy: the main items of re-phasing are;
- £811,000 for Interchange Phase 2 Train Station/MSCP/Metro Extension project which is re-phased as per agreement with partners;
  - £142,000 for Targeted Disposals Programme due to the pending outcome on lease agreement transfer regarding Heath Town Baths;
  - £118,000 for Queen Street Gateway Townscape Heritage Project. Recent focused promotion of the scheme has resulted in two grant applications now having being made and it is therefore anticipated that significant spend will develop over the upcoming financial year;
  - Further £292,000 relating to i54 Western Extension due to successful negotiations with partners;
  - Acceleration of £156,000 for Black Country GOLD Project due to the successful uptake of capital grants to Small and Medium Size Enterprises.
- 3.10 City Environment: the main items of re-phasing are;
- £1.8 million for 'Vehicles (Procurement)' project reflecting the re-phasing of current budget allocations as a result of planned procurement and the anticipated future outcome of ongoing passenger transport reviews;
  - £500,000 for Waste & Recycling Strategy is to realign to current proposed transformation timelines.
- 3.11 City Housing: the main item of re-phasing is;
- £100,000 for Housing General Fund General Schemes - Affordable Warmth project which is a rolling programme where the expenditure is demand led.



3.12 Corporate Landlord: the main items of re-phasing relate to;

- £300,000 for Disposals Programme (Non-strategic) to reflect a more realistic timeframe for the demolition of Northcote School and Bushbury Community Centre as a result of a recent review of project completion;
- £70,000 for Energy Efficiency Measures. Discussions are underway to ensure the best use of the energy efficiency fund, the outcome of which will inform future work programmes.

3.13 The projected forecast decrease of £7.5 million for the General Fund 2017-2018 capital expenditure is a net position which is discussed below.

3.14 Corporate Directorate: a decrease of £8.5 million which is mainly due to the following;

- £8.0 million relating to WM Combined Authority (WMCA) Initiatives due to timings of the programme and the imminent award of borrowing powers to the Combined Authority. The Council and Birmingham City Council support the WMCA by undertaking borrowing on their behalf until they are awarded the borrowing powers;
- £546,000 relating to Transformation Development Efficiency Strategy is due to the reprioritisation of other key projects.

3.15 People Directorate: an increase of £14,000 which is due to the following;

- Final costs in relation to Residential Care (Integrated Placement Scheme) – Upper Pendeford Farm project.

3.16 Place Directorate: a net increase of £1.1 million which is mainly due to the following;

- An increase of £546,000 relating to Civic Halls (part funded by the Black Country Growth Deal – Cultural Programme) which reflects the report to Council on 31 January 2018 (in total the project budget is increased by £23.7 million, see paragraph 3.21);
- A further increase of £416,000 for the Maintenance of classified roads programme reflecting the reallocation of resources across projects within the Transportation capital programme to align with current prioritisations;
- The confirmation of an additional £271,000 Disabled Facilities Grants funding.

3.17 There are re-allocation virements proposed from existing to new projects of £4.0 million with the main items being:

- Corporate Directorate: £1.8 million from the provision for future programmes within the Digital Transformation Programme to individual projects; a further £550,000 from 'Corporate Contingency' to 'Aldersley Leisure Village Enhancement 2018-2019' project. The budget available for enhancements at Aldersley is subject to a future report to Councillors. No funds will be released for the project until approval is received for the detailed scheme.

- Place Directorate: £1.6 million from Bilston Urban Village – Remediation of site in readiness for development scheme to Public Open Space and Employment Land Site Investigation schemes and £426,000 from provision for future programmes with regards to City Learning Quarter to individual projects. This is a reallocation within the overall project to individual schemes.

The re-allocation virements are detailed in Appendix 3 to the report.

### **2018-2019 to 2022-2023 Approved budget**

- 3.18 The latest financial monitoring information shown in Table 3 indicates that General Fund capital expenditure for 2018-2019 to 2022-2023 will be higher than the approved budget by £44.7 million. Of this, £25.1 million is due to re-phasing of capital expenditure across the life of the capital programme as discussed in the previous paragraphs above.
- 3.19 The projected budget net increase of £20.0 million for the General Fund is discussed below.
- 3.20 Corporate Directorate: The Transformation Development Efficiency Strategy has been updated to reflect the '2018-2019 Budget and Medium Term Financial Strategy 2018-2019 to 2020-2021' also on the agenda for approval at this meeting.
- 3.21 Place Directorate: the forecast increase of £27.4 million is mainly due to the following;
- £23.2 million relates Civic Halls (part funded by the Black Country Growth Deal – Cultural Programme) to align with the 'Civic Halls Improvements and Full Restoration' report to Council on 31 January 2018 (in total the project budget is increased by £23.7 million, see paragraph 3.16);
  - £2.4 million relating to the Highway Improvement Programme which reflects the provision of indicative transport block funding allocations;
  - £1.5 million relating to 'Bilston Urban Village – Share of Capital Receipts to HCA' scheme is due to increased strategic sites disposal forecast which has a direct impact on this expenditure budget in accordance with the Land Sale Agreement from the HCA.
- 3.22 There is a re-allocation virement proposed from existing to new projects totalling £346,000. This is within the Place Directorate for Bilston Urban Village – from 'Remediation of site in readiness for the development' scheme to a new 'Public Open Space' project.

### **Overall summary**

- 3.23 A detailed analysis of the projected net increase of capital expenditure totalling £8.2 million for existing projects, can be found in Appendix 1. The largest increase is £23.7 million for Civic Halls offset by 23 projects with a net decrease of £15.5 million. However, after taking into account re-allocation virements to specific projects, the net General Fund increase is £12.5 million.

- 3.24 Requests for budget virements between existing projects for the General Fund totalling £6.1 million are detailed in Appendix 3 to this report.
- 3.25 Ancillary schedules of General Fund works for approval are detailed in Appendices 4 to 6 to this report.
- 3.26 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;
- Provision of the ‘Corporate Contingency’ to individual projects in order that corporate priorities may be addressed in a more agile and timely manner;
  - Provision of 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.

#### 4.0 New projects and virements

- 4.1 Table 5 provides an analysis of forecast outturn for the new projects requiring approval, covering the period 2017-2018 to 2022-2023, 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 2.

**Table 5: Analysis of new projects requiring approval**

Directorate	2017-2018 to 2022-2023			
	Forecast outturn	Additional internal resources required	Additional external resources required	Virements from existing projects
	£000	£000	£000	£000
Corporate	2,320	-	-	2,320
People	60	60	-	-
Place	23,231	13,000	8,253	1,978
<b>Total General Fund</b>	<b>25,611</b>	<b>13,060</b>	<b>8,253</b>	<b>4,298</b>
Housing Revenue Account	-	-	-	-
<b>Total HRA</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Capital Programme</b>	<b>25,611</b>	<b>13,060</b>	<b>8,253</b>	<b>4,298</b>

- 4.2 The new projects requiring approval are funded from a mixture of internal and external resources and virements of £4.3 million (see Table 5 for split over funds) from the existing projects as detailed in Appendix 3 to the report.
- 4.3 The main new projects requiring approval (see additional resources in Table 5) are discussed below.

- 4.4 People Directorate: some £60,000 is required for the Extensions/Vehicles project to support foster carers in being able to accommodate children within the household to prevent out of city placements.
- 4.5 Place Directorate: there is an approval for a budget increase of £8.3 million for three new projects which are all externally funded and an approval for an increase of £13.0 million funded internally;
- An increase totalling £8.3 million relates to Land and Property Investment Fund. In accordance with delegation granted by Cabinet on 22 March 2017 and subsequently approved by Council on 5 April 2017. On 13 September 2017, the Joint Committee approved 'Dudley Music Institute' and 'Professional Fees – Dudley Music Institute' projects which are now being incorporated into the capital programme;
  - Further increase of some £69,000 relates to Bilston Urban Village – Employment Land Site Investigation project mainly funded by grant.
  - An increase of £13.0 million relates to 'i9 Office Development' project which is subject to a separate report also on the agenda for approval at this meeting.
- 4.6 New projects created through virements from existing projects can be found in Appendix 3 with the main items discussed below.
- 4.7 The virements totalling £2.3 million for Corporate Directorate are required for the following projects; £1.8 million for five Phase 2 projects within Digital Transformation Programme. The budget originally established against a provision for future programme is now proposed to be allocated to the relevant work streams. £550,000 is required for 'Aldersley Leisure Village Enhancement 2018-2019' project subject to a future report to Councillors.
- 4.8 Virements in the region of £2.0 million for Place Directorate include the establishment of two new projects. The main project relates to works associated with 'Bilston Urban Village – Public Open Space'. This scheme is being separated from the wider Bilston Urban Village project following the funders requirements.
- 5.0 Medium term capital programme and budget strategy**
- 5.1 Table 6 details the approved financing for the capital programme for 2017-2018 to 2022-2023 and incorporates the requested approvals for projects included in this report.

**Table 6: Approved and forecast capital financing 2017-2018 to 2022-2023**

<b>2017-2018 to 2022-2023</b>				
<b>General Fund</b>	<b>Approved budget</b>	<b>Recommended budget</b>	<b>Variance</b>	<b>Resource as % of expenditure</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	
<b>Expenditure</b>	<b>339,301</b>	<b>373,094</b>	<b>33,793</b>	
<b>Financing</b>				
Internal resources				
Capital receipts	26,830	31,404	4,574	8.4%
Prudential borrowing	214,616	232,964	18,348	62.4%
Revenue contributions	919	919	-	0.3%
<b>Subtotal</b>	<b>242,365</b>	<b>265,287</b>	<b>22,922</b>	<b>71.1%</b>
External resources				
Grants & contributions	96,936	107,807	10,871	28.9%
<b>Subtotal</b>	<b>96,936</b>	<b>107,807</b>	<b>10,871</b>	<b>28.9%</b>
<b>Total General Fund</b>	<b>339,301</b>	<b>373,094</b>	<b>33,793</b>	<b>100.0%</b>
<b>2017-2018 to 2022-2023</b>				
<b>Housing Revenue Account (HRA)</b>	<b>Approved budget</b>	<b>Recommended budget</b>	<b>Variance</b>	<b>Resource as % of expenditure</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	
<b>Expenditure</b>	<b>329,841</b>	<b>329,841</b>	<b>-</b>	
<b>Financing</b>				
Internal resources				
Capital receipts	36,487	36,915	428	11.2%
Prudential borrowing	155,301	154,873	(428)	47.0%
Reserves	137,100	137,100	-	41.5%
<b>Subtotal</b>	<b>328,888</b>	<b>328,888</b>	<b>-</b>	<b>99.7%</b>
External resources				
Grants & contributions	953	953	-	0.3%
<b>Subtotal</b>	<b>953</b>	<b>953</b>	<b>-</b>	<b>0.3%</b>
<b>Total HRA</b>	<b>329,841</b>	<b>329,841</b>	<b>-</b>	<b>100.0%</b>

- 5.2 Capital receipts totalling £31.4 million have been assumed within the General Fund capital programme for quarter three and can be seen in Table 7. This is an increase of £4.6 million when compared to the approved budget, which has arisen as a result of an increased forecast from sales totalling £3.6 million and some £971,000 due to re-phasing of receipts and capital requirements. In order to be prudent a detailed review of the schedule of 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.
- 5.3 On 31 January 2018, Council approved a revised HRA capital programme totalling £329.8 million for the period 2017-2018 to 2022-2023. Since then, the forecast of capital receipts assumed in the capital programme has improved resulting in an increase of

£428,000. This change has subsequently reduced the borrowing requirement for the HRA by this amount.

**Table 7: Receipts assumed in the revised General Fund capital programme**

	2017 - 2018	2018 - 2019	2019 - 2020	Projected			Total £000
	£000	£000	£000	2020 - 2021 £000	2021 - 2022 £000	2022- 2023 £000	
General Fund capital receipts	4,200	18,700	5,500	1,800	1,200	-	31,400

5.4 Council, on 15 July 2015, approved the capital financial strategy relating to the approval of future capital projects, the declaration of identified underspends and the use of capital receipts to reduce the Council's need to borrow to fund the approved capital programme. As a consequence of this, no new projects have been included in the 2022-2023 financial year. 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 via a capital appraisal mechanism for value for money and appropriateness based on the current financial climate prior to approval being sought from Councillors.

## 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:

<http://www.wolverhampton.gov.uk/article/7046/Medium-Term-Capital-Programme>

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

## 7.0 Evaluation of alternative options

7.1 This report provides an update on progress of capital projects during 2017-2018 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 can be seen in the table below. These are fully reflected in the treasury management budgets included in the report '2018-2019 Budget and Medium Term Financial Strategy 2018-2019 to 2020-2021' also on the agenda for approval at this meeting.

	2017-2018	2018-2019	2019-2020	2020-2021	2021-2022	2022-2023
	£000	£000	£000	£000	£000	£000
Forecast cumulative impact:						
interest	(199)	(179)	282	624	745	745
minimum revenue provision	-	(173)	(166)	140	363	454
	(199)	(352)	116	764	1,108	1,199
Forecast change in revenue grant from Combined Authority	207	387	395	403	412	421
<b>Net revenue cumulative impact for General Fund</b>	<b>8</b>	<b>35</b>	<b>511</b>	<b>1,167</b>	<b>1,520</b>	<b>1,620</b>

It is important to note that additional costs of borrowing will be offset from additional revenue income streams.

[SH/01022018/B]

## 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.

[TS/01022018/Q]

## 11.0 Equalities implications

- 11.1 Under the Equality Act 2010, the Council has a statutory duty to pay due regard to the impact of how it carries out its business on different groups of people. This is designed to help the Council identify the particular need of different group and reduce the likelihood of discrimination; the nine equality strands covered by the legislation are:

- Age
- Disability
- Gender reassignment
- Pregnancy and Maternity
- Religion or Belief
- Race
- Sex
- Sexual Orientation
- Marriage and Civil Partnership (this strand only applies to employment and not to service delivery).

These strands include everyone.

- 11.2 Cabinet Members should also be aware that under the Equality Act 2010, they must have due regards to the Public Sector Equality Duty when making budget decisions. What this means in practice is that Cabinet Members must consciously think about the three aims

of the Public-Sector Equality Duty as part of the decision making process, the three aims are to have due regard to the need to:

- Eliminate discrimination, harassment and victimisation.
- Advance equality of opportunity by removing or minimising disadvantages, meet different needs and encourage participation.
- Foster good relations between people from different groups.

11.3 Consideration of equality issues must influence the decisions reached by public bodies including:

- How they act as employers.
- How they design, deliver and evaluate services.
- How they commission and procure from others.

11.4 The Brown Principles, established as a result of a legal case concerning Post Offices closures in 2008, provide an important checklist when making decisions:

- Decision makers must be made aware of their duty to have due regard to the identified goals.
- Due regard must be fulfilled before and at the time that a particular decision is being considered, not afterwards.
- The duty must be exercised in substance, with rigour and with an open mind. It is not a question of ticking boxes.
- The duty is not delegable; it must be fulfilled by the organisation in question rather than through the use of an external body to do it to the organisation.
- The duty is a continuing one.
- It is good practice to keep an adequate record showing that it has considered the identified needs.

11.5 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 schemes are being developed.

11.6 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 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 This report has no human resources implications.



## **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 Schedule of background papers**

Capital Programme 2017-2018 to 2021-2022 Quarter Two Review – Report to Cabinet on 29 November 2017, Council on 13 December 2017.

Housing Revenue Account business plan (including 2018-2019 budget rents and service charges) – Report to Cabinet (Resources) Panel on 16 January 2018, Council on 31 January 2018.

Civic Halls Improvements and Full Restoration – Report to Cabinet (Resources) Panel on 16 January 2018, Council on 31 January 2018.

Approval to widen scope of the Black Country Joint Committee to include the Combined Authority and act as accountable body for the Land Remediation Fund – Report to Cabinet on 22 March 2017, Council on 5 April 2017.

i9 Office Development – Investment Case – Report to Cabinet on 20 February 2018.

## **16.0 Appendices**

Appendix 1: Analysis of projected change in expenditure for existing projects

Appendix 2: Projects requiring approval

Appendix 3: Virements for approval

Appendix 4: Schedule of works – Corporate

Appendix 5: Schedule of works – People

Appendix 6: Schedule of works – Place