

CITY OF WOLVERHAMPTON COUNCIL	Cabinet 21 November 2018
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Report title	Capital programme 2018-2019 to 2022-2023 quarter two review	
Decision designation	RED	
Cabinet member with lead responsibility	Councillor Louise Miles Resources	
Key decision	Yes	
In forward plan	Yes	
Wards affected	All Wards	
Accountable Director	Claire Nye, Director of Finance	
Originating service	Strategic Finance	
Accountable employee	Alison Shannon	Chief Accountant
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Report to be/has been considered by	Strategic Executive Board	6 November 2018
	Council	5 December 2018

Recommendations for decision:

The Cabinet recommends that Council:

1. Approves the revised medium term General Fund capital programme of £338.9 million, an increase of £17.9 million from the previously approved programme.
2. Approves the net additional General Fund resources of £17.9 million identified for;
 - i. New projects totalling £20.1 million (section 4 of the report);
 - ii. Existing projects net reduction totalling £2.2 million (section 3 of the report).

The Cabinet is recommended to:

1. Approve the General Fund virements detailed at Appendix 4 to the report for;
 - i. Existing projects totalling £11.0 million;
 - ii. New projects totalling £767,000.
2. Approve the HRA virements totalling £4.5 million detailed at Appendix 4 to the report for;
 - i. New project totalling £4.5 million.

Recommendations for noting:

The Cabinet is asked to note:

1. There are two projects requiring additional internal and external resources included in this report, but which are subject to a separate detailed project report also on this agenda. The inclusion of these projects is for budget approval purpose and is on the assumption that the approval to progress with the projects is given. As the progression is dependent on that decision, if the projects are not approved, the capital programme will be reduced accordingly. The names of the projects are:
 - Average Speed Enforcement - Wolverhampton
 - Average Speed Enforcement - Walsall, Sandwell and Dudley.

1.0 Purpose

- 1.1 The purpose of this report is to provide Cabinet with an update on the 2018-2019 financial performance of the General Fund and Housing Revenue Account (HRA) capital programmes and the revised forecast for 2018-2019 to 2022-2023 as at quarter two of 2018-2019.
- 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 The General Fund and Housing Revenue Account capital programmes are underpinned by the Council's Corporate Plan with significant focus on ensuring that we work as one to serve the city; delivering a stronger economy, enabling stronger communities with a confident capable Council. The City of Wolverhampton is an ambitious city with big plans and is one of the fastest growing areas in the UK for economic growth.
- 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 Directorate Leadership teams and will also be provided to Project Assurance Group, enabling governance and challenge. In addition to this, a new Capital Projects Member Reference Group has also been established to further enhance project governance and challenge. These governance arrangements will enable the Council to strengthen delivery arrangements and embrace lessons learnt from previous capital projects within the City of Wolverhampton.
- 2.4 This report considers specific changes to budgets. A full list of the proposed capital programme can be found in Appendix 1 of the report.
- 2.5 At its meeting on 18 July 2018, Council approved a General Fund capital programme totalling £320.9 million for the period 2018-2019 to 2022-2023. Of the approved capital programme totalling £320.9 million, £147.6 million relates to the 2018-2019 financial year. Expenditure to the end of quarter two 2018-2019 for existing projects totals £26.4 million compared to the projected budget of £130.5 million. This level of expenditure is expected due to the timing of particular projects such as loans and grants to external organisations.
- 2.6 Table 1 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

General Fund	2018 - 2019	2019 - 2020	2020 - 2021	2021 - 2022	2022 - 2023	Total
	£000	£000	£000	£000	£000	£000
Budget						
Approved	147,624	126,331	41,100	5,882	-	320,937
Variations						
New projects	6,172	7,552	6,370	-	-	20,094
Existing projects	(23,297)	12,080	9,312	(252)	-	(2,157)
	(17,125)	19,632	15,682	(252)	-	17,937
Projected	130,499	145,963	56,782	5,630	-	338,874
Financing						
Approved						
Internal resources	88,389	83,949	31,995	5,882	-	210,215
External resources	59,235	42,382	9,105	-	-	110,722
	147,624	126,331	41,100	5,882	-	320,937
Variations						
Internal resources	(10,671)	8,611	6,117	(252)	-	3,805
External resources	(6,454)	11,021	9,565	-	-	14,132
	(17,125)	19,632	15,682	(252)	-	17,937
Projected						
Internal resources	77,718	92,560	38,112	5,630	-	214,020
External resources	52,781	53,403	18,670	-	-	124,854
Variance	130,499	145,963	56,782	5,630	-	338,874

2.7 This report recommends variations to the approved programme totalling an increase of £17.9 million bringing the total revised programme to £338.9 million.

2.8 Details of all the projects that have contributed to the overall increase of £17.9 million in the General Fund capital programme can be found in Appendices 1 and 2 of the report, however the key projects that have contributed to the increase in the programme are as follows:

- An increase totalling £18.5 million for grants allocated on the 'Land and Property Investment Fund' for which City of Wolverhampton Council acts as accountable body. In accordance with delegation granted by Cabinet on 22 March 2017 and subsequently approved by Council on 5 April 2017, five new projects that were approved by the Joint Committee are now being proposed to be incorporated into the capital programme. This is fully funded by external contributions;
- The increase detailed above is offset by the removal of the Land and Property Investment Fund 'Accountable Body Professional Services' projects totalling £1.8 million. These are now being met from revenue budgets funded by the West Midlands Combined Authority;

- An increase of £1.0 million relates to the 'Market Relocation to Southside' project which is due to unforeseen significant ground constraints. A bid for external grant has been submitted to fund the additional works.

2.9 On 17 July 2018, Council approved a revised HRA capital programme totalling £292.5 million for the period 2018-2019 to 2022-2023. Of this, £68.1 million relates to the 2018-2019 financial year. Expenditure to the end of quarter two 2018-2019 for existing projects totals £14.2 million compared to the projected budget of £62.0 million.

2.10 Table 2 shows the HRA changes proposed for 2018-2019 to 2022-2023, along with the resources identified to finance the proposed changes.

Table 2: Summary of the HRA projects requiring approval

Housing Revenue Account	2018 - 2019	2019 - 2020	2020 - 2021	2021 - 2022	2022 - 2023	Total
	£000	£000	£000	£000	£000	£000
Budget						
Approved	68,124	71,100	63,820	52,157	37,300	292,501
Variations						
New projects	1,500	3,000	-	-	-	4,500
Existing projects	(7,662)	6,980	1,182	(100)	(4,900)	(4,500)
	(6,162)	9,980	1,182	(100)	(4,900)	-
Projected	61,962	81,080	65,002	52,057	32,400	292,501
Financing						
Approved						
Internal resources	67,171	71,100	63,820	52,157	37,300	291,548
External resources	953	-	-	-	-	953
	68,124	71,100	63,820	52,157	37,300	292,501
Variations						
Internal resources	(5,662)	9,480	1,182	(100)	(4,900)	-
External resources	(500)	500	-	-	-	-
	(6,162)	9,980	1,182	(100)	(4,900)	-
Projected						
Internal resources	61,509	80,580	65,002	52,057	32,400	291,548
External resources	453	500	-	-	-	953
Projected	61,962	81,080	65,002	52,057	32,400	292,501

2.11 As can be seen from Table 2, the overall programme remains at £292.5 million. There is a virement proposed within the programme of £4.5 million which is detailed in paragraph 5.7.

3.0 Existing projects

3.1 The General Fund changes proposed for existing projects totalling a net reduction of £2.2 million. A more detailed listing of the individual projects can be found in Appendices 1 and 2 of the report.

- 3.2 Requests for budget virements between existing projects for the General Fund totalling £11.0 million are detailed in Appendix 4 of the report.
- 3.3 The following paragraphs provide a commentary on the significant changes to budgets and an update on key projects.
- Reductions of £1.8 million relating to the 'Accountable Body Professional Services' projects. As mentioned in paragraph 2.8, these are now being met from revenue budgets funded by the West Midlands Combined Authority;
 - An increase of £1.0 million relates to the 'Market Relocation to Southside' project which is due to unforeseen significant ground constraints. A bid for external grant has been submitted to fund the additional works. The new Market opened to the public on 17 July 2018 and feedback from traders has been excellent with increased occupancy rates across all trading days compared to the previous location. On Wednesdays in particular, occupancy rates have more than doubled. Over twenty new traders have made repeat visits bringing a range of new trade lines to the market. This has included new food units, vegan cakes, florists, haberdashery and an onsite baker who opened in August;
 - A decrease of £574,000, relating to the 'Maintenance of unclassified roads' programme, reflects reallocation of resources across projects within the Transportation capital programme to align with current prioritisations, full details in Appendix 4;
 - An increase of £448,000 relating to the 'City North Gateway Phase 1' project which is fully funded from external resources, due to design changes in response to consultation that have led to delays and cost increase on certain elements. Efficiencies and costs savings continue to be explored to reduce the final outturn figure;
 - There are proposed changes of £424,000 relating to the 'Corporate Asset Management Programme' as detailed in Appendix 4 of the report;
 - A decrease of £308,000 relating to 'Schools Developed Formula capital' reflecting a reduced grant allocation due to schools' conversion into academies;
 - A decrease of £258,000 relating to 'Schools Capital Maintenance' of which £194,000 is due to the grant allocation being lower than anticipated and £64,000 being virements to new (£25,000) and existing (£39,000) projects as detailed in Appendix 4 of the report;
 - A net increase of £211,000 relating to the provision of 'Corporate Contingency'. This is due to the reallocation of resources totalling of £331,000 from the underspends identified across the capital programme which is being offset by the proposed virement of £120,000 to a new 'Remedial works' project;
 - A decrease of £191,000 for the 'Westside – Markets Re-location' project reflecting the reallocation of resources to support the additional works related to the

'Markets Relocation to Southside' project due to unforeseen significant ground constraints;

- A further decrease of £156,000 relating to virements from the 'Schools Capital Maintenance – Asbestos removal' project. Appendix 4 of the report provides further detail;
- A decrease of £131,000 relating to the 'Boundary Signs' project due to the budget being no longer required. An alternative model is being adopted with the set up costs absorbed by an external supplier that will result in the site rentals and a share of advertising revenue income for the Council;
- An increase of £55,000 relating to the 'Children's Transformation – Bingley' project reflects agreed additional works.

- 3.4 For the HRA there are proposed changes for existing projects totalling a net decrease of £4.5 million. This relates to the provision of 'Small Sites 4' and the reallocation of resources to support a new project as detailed in Appendix 4 of the report. A detailed listing of the individual HRA projects can be found in Appendix 2 of the report.
- 3.5 The Interchange project involves the creation of a new multi-modal transport hub, anchored by a new Railway Station, which will open in 2020. The project is currently on target with key milestones of commencement on site in July 2018 and the reopening of Pipers Row on 2 September 2018 being achieved. The overall budget of £81.8 million is on target. Detailed finance reports are monitored at a monthly finance board.
- 3.6 The Enabling Works (Phase 1) for the Civic Halls are ongoing, and forecast to complete in quarter four 2018-2019, will complete the asbestos removal from the building and also repair works to the structural steelwork to the perimeter of the building. The project is now entering a phase of further development of the design, cost and procurement of the Phase 2 refurbishment works to deliver the completion of the project.
- 3.7 The City Learning Quarter is a key corporate priority project that will provide a new learning campus within the City Centre. The scheme is currently forecast as a £50.0 million capital project. Design, costs and programme are currently being reviewed. £6.0 million has been approved as pre-development costs. Site assembly has progressed and the overall call on the £6 million budget is currently forecast as £5.6m. There is a Local Growth Fund bid for £25.0 million being developed in anticipation for LEP sign off in January 2019. Detailed costs together with programme are also expected by January 2019.
- 3.8 The refresh of the HRA Business Plan and Capital Programme has commenced in September 2018 to consider future HRA investment. The recent Budget Statement announcement of the removal of the HRA Borrowing Cap presents the opportunity for the City to now consider the future of HRA capital investment post 2022 (such as planning for new programme of Safer and Better Homes improvements, new build homes for rent, making best use of existing assets and Estate Redevelopment planning).

4.0 New projects and virements

4.1 Table 6 provides an analysis of forecast outturn for new projects requiring approval, covering the period 2018-2019 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 1 of the report.

Table 6: Analysis of new projects requiring approval

Directorate	2018-2019 to 2022-2023			
	Forecast outturn	Additional internal resources required	Additional external resources required	Virements from existing projects
	£000	£000	£000	£000
General Fund	20,094	250	19,077	767
Housing Revenue Account	4,500	-	-	4,500
Total Capital Programme	24,594	250	19,077	5,267

4.2 The new projects requiring approval are funded from a mixture of internal and external resources and virements totalling £5.3 million (see Table 6 for split over funds). A list of the virements can be found in Appendix 4 of the report.

4.3 The main new projects requiring approval (see additional resources in Table 6) are discussed below.

4.4 There is an approval for a budget increase of £19.1 million for five new projects which are all externally funded and an approval for an increase of £250,000 funded internally;

- An increase totalling £18.5 million relates to the '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, five new projects that were approved by the Joint Committee are now being proposed to be incorporated into the capital programme. This is fully funded from external resources;
- An increase totalling £755,000 relates to the implementation of the 'Average Speed Enforcement Across the Black Country' project. This is funded from other Local Authority contributions of £605,000 and internal resources of £150,000. The borrowing costs associated with this £150,000 will be met from the Highways Management Reserve. A report on this agenda is due to be presented to Councillors which seeks approval to implement Average Speed Enforcement Across the Black Country. In the event that this item was not approved the budget allocation would be removed prior to seeking Council approval for the General Fund capital programme.

- A new project 'Craddock Street Subway' which was identified through the Avion Centre action plan is being created totalling £200,000. This is funded from additional resources of £100,000 and the virement of £100,000 from an existing project. The borrowing costs associated with the additional resources will be met from the Highways Management Reserve. The subway is proposed to be closed due to the being a subject to anti-social behaviour, a new public open space is proposed to be created instead. The undertaken surveys have demonstrated that pedestrian use of the subway is very low and its closure will not place an additional burden on the surface crossings.

- 4.5 New projects created through virements from existing projects can be found in Appendix 4 of the report with the main items discussed below;
- 4.6 Virements totalling £667,000 of which £123,000 relate to new projects within the 'School Capital Maintenance' programme, £424,000 is for projects within the 'Corporate Asset Management' programme and £120,000 relates to the 'Kings School Remedial works' project as detailed in the Appendix 3 of the report.
- 4.7 A virement of £4.5 million for the HRA is required for the 'Small Sites 4' project in order to proceed with the construction of 35 affordable houses across seven sites.

5.0 Medium term capital programme financing

- 5.1 Table 7 details the approved financing for the capital programme for 2018-2019 to 2022-2023 and incorporates the requested approvals for projects included in this report.

Table 7: Approved and forecast capital financing 2018-2019 to 2022-2023

General Fund	2018-2019 to 2022-2023			
	Approved budget	Recommended budget	Variance	Resource as % of expenditure
	£000	£000	£000	
Expenditure	320,937	338,874	17,937	
Financing				
Internal resources				
Capital receipts	27,616	28,056	440	8.3%
Prudential borrowing	181,680	185,045	3,365	54.6%
Revenue contributions	919	919	-	0.3%
Reserves	-	-	-	0.0%
Subtotal	210,215	214,020	3,805	63.2%
External resources				
Grants & contributions	110,722	124,854	14,132	36.8%
Subtotal	110,722	124,854	14,132	36.8%
Total General Fund	320,937	338,874	17,937	100.0%

2018-2019 to 2022-2023				
Housing Revenue Account (HRA)	Approved budget £000	Recommended budget £000	Variance £000	Resource as % of expenditure
Expenditure	292,501	292,501	-	
Financing				
Internal resources				
Capital receipts	32,810	35,683	2,873	12.2%
Prudential borrowing	143,897	141,024	(2,873)	48.2%
Reserves	114,841	114,841	-	39.3%
Subtotal	291,548	291,548	-	99.7%
External resources				
Grants & contributions	953	953	-	0.3%
Subtotal	953	953	-	0.3%
Total HRA	292,501	292,501	-	100.0%

5.2 Part of the net increase in prudential borrowing has occurred due to a switch in financing of £3.5 million between two capital projects, at the request of the funder, that has been undertaken in phases. The first phase was included in the capital report to Councillors in July 2018 where prudential borrowing was reduced with an offset increase in grants and contributions. The second phase included in this report is the opposite of this, an increase in prudential borrowing with an offset in grants and contributions. There has been no overall increase in the expenditure budget of either project involved. In addition, the net effect of the two financing sources across both phases is nil.

5.3 Capital receipts totalling £28.0 million have been assumed within the General Fund capital programme for quarter two and can be seen in Table 8. This is an increase of £440,000 when compared to the approved budget, which has arisen as a result of an increased forecast from sales totalling £390,000 and £50,000 increase 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.

Table 8: Receipts assumed in the revised General Fund capital programme

	Projected					Total £000
	2018 - 2019 £000	2019 - 2020 £000	2020 - 2021 £000	2021 - 2022 £000	2022 - 2023 £000	
General Fund capital receipts	11,300	13,300	2,200	1,200	-	28,000

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 budget forecasts included in the report 'Treasury Management Activity Monitoring – Mid Year Review 2018-2019' also on the agenda for approval at this meeting.

	2018-2019 £000	2019-2020 £000	2020-2021 £000	2021-2022 £000	2022-2023 £000	2023-2024 £000
Forecast cumulative impact:						
interest	331	80	62	62	62	62
minimum revenue provision	-	266	100	93	97	101
	331	346	162	155	159	163
Net revenue cumulative impact for General Fund	331	346	162	155	159	163

[RJ/01112018/K]

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/05112018/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 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 are 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 schemes are being developed.

16.0 Schedule of background papers

- 16.1 Individual Executive Decision Notice, 2 July 2018 – ‘A0151 Stafford Road / Cannock Road Signal Refurbishment 2018-19’
- 16.2 Cabinet, 11 July 2018 – ‘[Capital budget outturn 2017-2018 including quarter one capital budget monitoring 2018-2019](#)’
- 16.3 Individual Executive Decision Notice, 17 July 2018 – ‘Land and Property Transactions (008)’
- 16.4 Cabinet (Resources) Panel, 4 September 2018 – ‘[Procurement Update PP-18002 – Small Sites Newbuild Council Housing Phase Four](#)’
- 16.5 Individual Executive Decision Notice, 24 September 2018 – ‘Land and Property Transactions – Ref 0006 – Corporate Landlord (006)’
- 16.6 Individual Executive Decision Notice, 28 September 2018 – ‘[Land Adjacent Stafford Street, Bilston: expenditure of S106 monies](#)’
- 16.7 Cabinet, 17 October 2018 – ‘Primary and Secondary School Expansion Programme 2019 – Fund Allocations and Update’

17.0 Appendices

- Appendix 1: Detailed projected budget
- Appendix 2: Detailed forecast change
- Appendix 3: Projects requiring approval
- Appendix 4: Virements for approval