

CITY OF WOLVERHAMPTON COUNCIL	Cabinet 10 July 2019
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Report title	Capital Budget Outturn 2018-2019 including Quarter One Capital Monitoring 2019-2020	
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 Tel Email	Chief Accountant 01902 554561 Alison.Shannon@wolverhampton.gov.uk
Report to be/has been considered by	Strategic Executive Board Council	18 June 2019 17 July 2019

Recommendations for decision:

The Cabinet is recommended to recommend that Council:

1. Approve the revised City of Wolverhampton Council Capital Strategy.
2. Approve the revised medium term General Revenue Account capital programme of £334.2 million, a reduction of £7.9 million from the previously approved programme and the change in associated resources.
3. Approve the revised Housing Revenue Account capital programme of £441.9 million, a reduction of £609,000 from the previously approved programme and the change in associated resources.

The Cabinet is recommended to:

1. Approve the virements for the General Revenue Account capital programme detailed at Appendix 5 to the report for;
 - i. Existing projects totalling £11.1 million;
 - ii. New projects totalling £6.8 million.

2. Approve the virements for the Housing Revenue Account capital programme detailed at Appendix 5 to the report for:
 - i. Existing projects totalling £3.8 million.

Recommendations for noting:

The Cabinet is asked to note:

1. The General Revenue Account outturn position for 2018-2019 which stands at 76.1% of the approved capital budget.
2. The Housing Revenue Account outturn position for 2018-2019 which stands at 86.1% of the approved capital budget.

1.0 Purpose

- 1.1 To provide Cabinet with an update on the outturn position for 2018-2019 and update on the 2019-2020 financial performance of the General Revenue Account and Housing Revenue Account (HRA) capital programmes whilst also providing a revised forecast for 2019-2020 to 2023-2024 as at quarter one of 2019-2020.
- 1.2 To recommend revisions to the current approved capital programmes covering the period 2019-2020 to 2023-2024.

2.0 Executive summary

- 2.1 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 will provide 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.
- 2.2 Furthermore, it will also provide 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.
- 2.3 The General Revenue Account and Housing Revenue Account capital programmes are underpinned by Our Council Plan with significant focus on working together to be a city of opportunity; focused on the following strategic outcomes:
 - Children and young people get the best possible start in life
 - Well skilled people working in an inclusive economy
 - More good jobs and investment in our city
 - Better homes for all
 - Strong, resilient and healthy communities
 - A vibrant, green city we can all be proud of.
- 2.4 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.
- 2.5 The capital programme reflects the priorities of the Strategic Asset Management Plan. Individual capital project delivery milestones and financial analysis is undertaken over the lifecycle of each project, by project managers in conjunction with Strategic Finance, and is updated in the Council's project management system. Regular project delivery updates are provided to Leadership teams and will also be provided to Project Assurance Group, enabling governance and challenge. In addition to this, a Capital Projects Member Reference Group 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.

- 2.6 This report considers specific changes to budgets. A full list of the proposed capital programme can be found in Appendix 2 of the report.
- 2.7 At its meeting on 6 March 2019, Council approved a General Revenue Account capital programme totalling £337.8 million for the period 2018-2019 to 2023-2024. Since then further reports submitted to Councillors have been approved to increase this amount by £4.3 million to £342.1 million.
- 2.8 Table 1 shows the approved General Revenue Account capital programme budget compared with that proposed, along with the resources identified to finance the proposed change.

Table 1: Summary of the General Revenue Account capital programme

General Revenue Account capital programme	2018 - 2019	2019 - 2020	2020 - 2021	2021 - 2022	2022 - 2023	2023 - 2024	Total
	£000	£000	£000	£000	£000	£000	£000
Budget							
Approved	100,530	174,763	59,648	7,152	-	-	342,093
Variations							
New projects	12	8,846	-	-	-	-	8,858
Existing projects	(24,071)	(501)	7,848	-	-	-	(16,724)
	(24,059)	8,345	7,848	-	-	-	(7,866)
Projected	76,471	183,108	67,496	7,152	-	-	334,227
Financing							
Approved							
Internal resources	56,308	110,500	40,339	7,052	-	-	214,199
External resources	44,222	64,263	19,309	100	-	-	127,894
	100,530	174,763	59,648	7,152	-	-	342,093
Variations							
Internal resources	(14,409)	691	13,235	-	-	-	(483)
External resources	(9,650)	7,654	(5,387)	-	-	-	(7,383)
	(24,059)	8,345	7,848	-	-	-	(7,866)
Projected	41,899	111,191	53,574	7,052	-	-	213,716
External resources	34,572	71,917	13,922	100	-	-	120,511
Variance	76,471	183,108	67,496	7,152	-	-	334,227

- 2.9 This report recommends variations to the approved programme totalling a decrease of £7.9 million bringing the total revised programme to £334.2 million.
- 2.10 Details of all the projects that have contributed to the overall decrease of £7.9 million in the General Revenue Account capital programmes can be found in Appendices 2 and 3 of the report, however, the key projects that have contributed to the decrease in the programme are as follows;

- The City of Wolverhampton Council acts as accountable body for the Land and Property Investment Fund. Three projects, Black Country Living Museum - Forging Ahead (£9.0 million), Springfield Land Remediation (£4.4 million) and School of Architecture and Built Environment (SOABE) (£3.3 million), totalling £16.7 million have been removed from the General Revenue Account capital programme as there has been a change in the funding. These projects will now be funded by the Growth Fund, which is administered by Walsall Council, rather than the Land and Property Investment Fund;
- The reduction in expenditure detailed above is offset in part by the next phase of works totalling £2.5 million within the i54 Western Extension programme funded by grant allocation for Access Road;
- The Interchange Phase 2 programme is being delivered in partnership with the West Midlands Combined Authority. The proposed £2.1 million amendment within the CWC General Revenue Account capital programme reflects a change request delivered by the Council which is fully funded by external contributions. This does not represent an increase in the overall Interchange programme budget across the partners.
- An increase totalling £1.3 million reflecting Schools contributions towards the costs of ICT, equipment and school improvements within the Education capital programme;
- Finally, an increase totalling £1.0 million reflecting an additional Disabled Facilities Grant allocation.

- 2.11 The outturn expenditure for 2018-2019 for existing projects totals £76.5 million. This represents 76.1% of the approved budget.
- 2.12 On 6 March 2019, Council approved a revised HRA capital programme totalling £442.5 million for the period 2018-2019 to 2023-2024.
- 2.13 Table 2 shows the HRA changes proposed for 2018-2019 to 2023-2024, along with the resources identified to finance the proposed changes.

Table 2: Summary of the HRA capital programme

Housing Revenue Account capital programme	2018 - 2019	2019 - 2020	2020 - 2021	2021 - 2022	2022 - 2023	2023 - 2024	Total
	£000	£000	£000	£000	£000	£000	£000
Budget							
Approved	49,772	99,350	90,770	77,660	64,040	60,890	442,482
Variations							
New projects	-	-	-	-	-	-	-
Existing projects	(6,940)	(16,311)	8,532	7,000	7,110	-	(609)
	(6,940)	(16,311)	8,532	7,000	7,110	-	(609)
Projected	42,832	83,039	99,302	84,660	71,150	60,890	441,873
Financing							
Approved							
Internal resources	47,852	98,815	90,770	77,660	64,040	60,890	440,027
External resources	1,920	535	-	-	-	-	2,455
	49,772	99,350	90,770	77,660	64,040	60,890	442,482
Variations							
Internal resources	(6,648)	(16,160)	8,532	7,000	7,110	-	(166)
External resources	(292)	(151)	-	-	-	-	(443)
	(6,940)	(16,311)	8,532	7,000	7,110	-	(609)
Projected							
Internal resources	41,204	82,655	99,302	84,660	71,150	60,890	439,861
External resources	1,628	384	-	-	-	-	2,012
Projected	42,832	83,039	99,302	84,660	71,150	60,890	441,873

- 2.14 This report recommends variations to the approved programme totalling a decrease of £609,000 bringing the total revised programme to £441.9 million.
- 2.15 Details of all the projects that have contributed to the overall decrease of £609,000 in the HRA capital programmes can be found in Appendices 2 and 3 of the report, however, the key projects that have contributed to the decrease in the programme are as follows;
- A decrease totalling £824,000 relating to the Decent Homes - Stock Improvements programme reflecting the release of final account accruals from prior years after the agreement of settlement figures that were lower than the accruals;
 - The reduction in expenditure detailed above is offset mainly by an increase totalling £209,000 within the Refurbishment of Voids programme due to higher than forecast demand from number of voids requiring major refurbishment.
- 2.16 The outturn expenditure for 2018-2019 for HRA existing projects totals £42.8 million. This represents 86.1% of the approved budget.
- 3.0 Existing projects**
- 3.1 The changes proposed for existing projects within the General Revenue Account capital programme total a net reduction of £16.7 million. A more detailed listing of the individual projects can be found in Appendices 2 and 3 of the report.
- 3.2 Requests for budget virements between existing projects with the General Revenue Account capital programme total £11.1 million, further details are provided in Appendix 5 of the report.

- 3.3 The following paragraphs provide commentary on the significant changes to budgets and an update on key projects.
- 3.4 Since Council approved the i54 Western Extension report in January 2019 good progress has been made towards commencing material works on site this Summer. A £10.0 million capital budget has been approved through the delegated authority procedure for the first phases of work. A further report will be presented to Cabinet in September seeking budget approval for the remaining phases. The joint venture partners funding strategy is being formalised including the approval by the Black Country LEP and Combined Authority of two grant applications totalling £10.0 million towards the costs of the scheme.
- 3.5 The Interchange scheme budget remains as per the approved budget of £81.8 million across the partner organisations. The respective projects related to Station and Metro works are all on track to deliver the scheme within the approved budget.
- 3.6 The main contractor for the Civic Halls, Shaylor Group, have gone into administration, the Council are currently managing the contract and administration process and are looking at procurement options for the completion of the refurbishment work. The Planning permission application for the restoration scheme has been submitted. In addition, a cost model for the operation of the Civic Halls, post opening has been developed and will be submitted to Cabinet at a future date.
- 3.7 Since January 2019 the team have been developing the City Learning Quarter business case and various design studies in collaboration with the college, the library and adult education service. Achievements this quarter include: the completion of RIBA Stage 2 studies; a consultation event; receipt of planning consent for demolition works and the appointment of a contractor who has started on site. At the time of writing this report it was anticipated that the funding application will be submitted to the Black Country LEP in late June 2019. The aspiration of the project is to concentrate the College onto two main campuses, in the City Centre and at Wellington Road in Bilston, enabling the current campus at Paget Road to be disposed of and helping secure the future of the College.
- 3.8 Cabinet approval for the Westside scheme was obtained in February 2019 towards the revised delivery structure for the £50.0 million scheme, work is continuing to finalise legal agreements with Urban&Civic (U&C). Once finalised, U&C will progress detailed planning and finalise the agreements with the cinema anchor, ancillary leisure and car park operator.
- 3.9 The Secondary School Expansion Programme is progressing well. The scheme at Aldersley High School is in the delivery state and remains on schedule for completion in September 2019, whilst the Our Lady and St Chad Academy scheme will now complete in March 2020. The Primary Expansion Schemes at Loxdale Primary, Spring Vale Primary and Stowlawn Primary are all progressing according to schedule and will be delivered for September 2019.

3.10 The Special Provision Capital Fund programme is progressing well; initial schemes at Tettenhall Wood School and Penn Hall School are complete and the schemes at Warstones Primary School and Green Park School are scheduled for delivery in summer 2019.

4.0 New projects and virements

4.1 Table 3 provides a summary of new projects requiring approval, covering the period 2018-2019 to 2023-2024, 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 of the report.

Table 3: Summary of new projects requiring approval

Directorate	2018-2019 to 2023-2024			
	Forecast outturn	Additional internal resources required	Additional external resources required	Virements from existing projects
	£000	£000	£000	£000
General Revenue Account capital programme	8,858	240	1,839	6,779
Total	8,858	240	1,839	6,779

4.2 The new projects requiring approval are funded from a mixture of external (£1.8 million) and internal (£240,000) resources and virements totalling £6.8 million. A list of the virements can be found in Appendix 5 of the report.

4.3 The main new projects requiring approval are discussed below.

- An increase totalling of £1.2 million relates to four new projects within the Parks Strategy and Open Space Programme. Approval is sought for the creation of a new neighbourhood park at Ward Street (£820,000), refurbishment of open space at Penk Rise (£100,000) and for the refurbishment of a play area at Windsor Avenue (£89,000) fully funded from developer's contributions under Section 106 agreements. Works related to the Taxi Pick Up Point at Bantock Park will require £175,000 of internal resources. It is proposed that the revenue expenditure arising as a result of applying internal resources, including interest costs, will be met from the Licensing Reserve.
- An increase totalling £714,000 relates to the Land and Property Investment Fund for which the City of Wolverhampton Council acts as accountable body on behalf of the West Midlands Combined Authority. In accordance with delegation granted by Council on 5 April 2017, two new projects, Portersfield - Phase 1 Demolition (£665,000) and Narrowboat Way (£49,000), are now proposed to be incorporated into the capital programme. The new projects are fully funded from external resources;
- An increase of £116,000 relates to the National Association for the Care and Resettlement of Offenders (NACRO) Premises Refurbishment fully funded from

external contributions. It is proposed to modernise the Wolverhampton’s substance misuse provider’s Recovery Near You site that will offer a family orientated environment;

- Finally, an increase of £65,000 relates to demolition of shelter and public toilet located near the Coach Station at Faulkland Street. The costs are met from the Highway Management Reserve.

4.4 New projects created through virements from existing projects can be found in Appendix 5 of the report with the main items discussed below;

4.5 Approximately £3.1 million of virements from existing projects are requested to create new projects within the Transportation capital programme as presented to Cabinet (Resources) Panel on 18 June 2019. A virement of £3.0 million is proposed for 2019-2020 transformational projects within the Transformation Development Efficiency Strategy.

4.6 Virement totalling £500,000 within the Discretionary Bathrooms Adaptations Grant is required for bathroom adaptations, whilst virements totalling £85,000 are proposed to facilitate works within the Schools Capital Maintenance programme. Finally, a virement totalling £64,000 is requested for works at 49 Queen Street within the Queen Street Gateway Townscape Heritage Project.

5.0 Medium term capital programme financing

5.1 Table 4 details the approved financing for the capital programme for 2018-2019 to 2023-2024 and incorporates the requested approvals for projects included in this report.

Table 4: Approved and forecast capital financing 2018-2019 to 2023-2024

General Revenue Account capital programme	2018-2019 to 2023-2024			
	Approved budget	Recommended budget	Variance	Resource as % of expenditure
	£000	£000	£000	
Expenditure	342,093	334,227	(7,866)	
Financing				
Internal resources				
Capital receipts	26,650	67,900	41,250	20.3%
Prudential borrowing	186,630	143,607	(43,023)	43.0%
Revenue contributions	919	2,209	1,290	0.7%
Reserves	-	-	-	0.0%
Subtotal	214,199	213,716	(483)	64.0%
External resources				
Grants & contributions	127,894	120,511	(7,383)	36.0%
Subtotal	127,894	120,511	(7,383)	36.0%
Total	342,093	334,227	(7,866)	100.0%

Housing Revenue Account capital programme	2018-2019 to 2023-2024			
	Approved budget £000	Recommended budget £000	Variance £000	Resource as % of expenditure
Expenditure	442,482	441,873	(609)	
Financing				
Internal resources				
Capital receipts	33,123	33,533	410	7.6%
Prudential borrowing	276,699	278,693	1,994	63.0%
Reserves	130,205	127,635	(2,570)	28.9%
Subtotal	440,027	439,861	(166)	99.5%
External resources				
Grants & contributions	2,455	2,012	(443)	0.5%
Subtotal	2,455	2,012	(443)	0.5%
Total	442,482	441,873	(609)	100.0%

- 5.2 Capital receipts totalling £67.9 million have been assumed within the General Revenue Account capital programme over the medium term period 2018-2019 to 2023-2024 and can be seen in Table 5. This is an increase of £41.3 million when compared to the approved budget. The variance has arisen due to a switch in financing incorporating loan repayments into the capital programme.
- 5.3 In order to be prudent, a detailed review of the schedule of asset disposals is undertaken to identify only those that are likely to be completed. The planned utilisation of capital receipts will reflect the need to balance the benefit for both the capital programme and the revenue budget and will form part of the ongoing Medium Term Financial Strategy.

Table 5: Receipts assumed in the revised General Revenue Account programme

General Revenue Account	Projected						Total £000
	2018 - 2019 £000	2019 - 2020 £000	2020 - 2021 £000	2021 - 2022 £000	2022 - 2023 £000	2023 - 2024 £000	
Capital programme receipts	6,300	25,200	14,300	22,100	-	-	67,900

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:

[Medium Term Capital Programme | City Of Wolverhampton Council](#)

- 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 2018-2019 and 2019-2020 and anticipated budget requirements for future years. The evaluation of alternative project options is detailed in individual investment proposals.

8.0 Reasons for decisions

- 8.1 To seek Cabinet's recommendation to Council to approve the revised capital budgets. This will ensure that the capital programme budget reflects the latest forecasts and requirements.

9.0 Financial implications

- 9.1 The financial implications are discussed in the body of this report. The revenue implications of the new and existing projects seeking approval for additional or changes in resources for the General Revenue Account can be seen in the table below. These are fully reflected in the treasury management budget forecasts included in the report 'Treasury Management – Annual Report 2018-2019 and Activity Monitoring Quarter One 2019-2020' also on the agenda for approval at this meeting.

General Revenue Account capital programme	2018-2019 £000	2019-2020 £000	2020-2021 £000	2021-2022 £000	2022-2023 £000	2023-2024 £000
Forecast cumulative impact:						
interest	71	(278)	(667)	(1,382)	(1,382)	(1,382)
minimum revenue provision	-	63	(217)	(504)	(994)	(1,039)
Net revenue cumulative impact	71	(215)	(884)	(1,886)	(2,376)	(2,421)

[RJ/24062019/W]

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/11062019/T]

11.0 Equalities implications

- 11.1 There is a range of individual projects delivered through the Council's capital programme that have significant impacts on specific groups and equality implications should be considered when individual capital projects are being developed.
- 11.2 This requirement would also apply if there were to be any redirection of capital funding in year to ensure that the impact of any changes is considered.

12.0 Environmental implications

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

13.0 Human resources implications

- 13.1 There are no human resources implications arising from this report.

14.0 Corporate landlord implications

- 14.1 Projects funded and delivered through the Council's capital programme typically have significant impact on the Council's property portfolio. Corporate landlord implications must be considered and included in relevant documents and reports when individual capital projects and programmes are being developed.

15.0 Health and Wellbeing Implications

- 15.1 There is a range of individual projects delivered through the Council's capital programme which could have health and wellbeing implications, these should be considered when individual capital projects are being developed.

16.0 Schedule of background papers

Council, 6 March 2019 – [Final Budget Report 2019 – 2020](#)

Individual Executive Decision Notice, 12 March 2019 – Special Provision Capital Fund – Investment Priorities

Cabinet (Resources) Panel, 2 April 2019 – Schools Capital Programme 2019-2020

Individual Executive Decision Notice, 30 April 2019 – Corporate Asset Management Fund – Approval of Schemes for 2019-2020

Individual Executive Decision Notice, 14 May 2019 – [Allocation of Corporate Contingency – Waste & Recycling Transformation](#)

Individual Executive Decision Notice, 15 May 2019 – i54 Western Extension – Capital Budget Approval & Joint Venture Agreement

Individual Executive Decision Notice, 7 June 2019 – Transportation Network – High Street and Wood Road, Tettenhall – Road Safety Scheme

Cabinet (Resources) Panel, 18 June 2019 - [Transport Capital Programme 2019-2020 and Future Years](#)

17.0 Appendices

Appendix 1 – Revised Capital Strategy 2019-2020

Appendix 2 – Detailed projected budget

Appendix 3 – Detailed forecast change

Appendix 4 – Projects requiring approval

Appendix 5 – Virements for approval