

Report title	Capital Programme 2020-2021 to 2024-2025 Quarter Three Review and 2021-2022 to 2025-2026 Budget Strategy	
Decision designation	RED	
Cabinet member with lead responsibility	Councillor Louise Milles Resources	
Key decision	Yes	
In forward plan	Yes	
Wards affected	All Wards	
Accountable Director	Tim Johnson, Chief Executive	
Originating service	Strategic Finance	
Accountable employee	Claire Nye Tel Email	Director of Finance 01902 550478 Claire.nye@wolverhampton.gov.uk
Report to be/has been considered by	Strategic Executive Board Council	5 January 2021 3 March 2021

Recommendations for decision:

That Cabinet recommend that Council approve:

1. The revised City of Wolverhampton Council Capital Strategy;
2. The revised, medium term General Revenue account capital programme of £316.4 million, an increase of £1.6 million from the previously approved programme, and the change in associated resources.

That 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 £3.8 million;
 - ii. new projects totalling £971,000.

2. Continue both delegations to the Cabinet Member for Resources, in consultation with the Director of Finance, to approve the allocation of:
 - i. The Corporate Contingency 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.
3. Delegate authority to the Cabinet Member for City Environment, in consultation with the Director of City Environment and Director of Finance, to approve the payments of grants related to the Black Country Blue Network Phase 2 programme where appropriate in order that projects can be progressed in a timely manner.

1.0 Purpose

- 1.1 To provide Cabinet with an update on the 2020-2021 financial performance of the General Revenue Account and Housing Revenue Account (HRA) capital programmes whilst also providing a revised forecast for 2020-2021 to 2024-2025 as at quarter three 2020-2021.
- 1.2 To recommend revisions to the current approved capital programme covering the period 2020-2021 to 2025-2026.

2.0 Executive summary

- 2.1 The General Revenue Account and HRA capital programmes are underpinned by our Council Plan with significant focus on working together to be a city of opportunity; focused on the following strategic outcomes:
 - Children and young people get the best possible start in life
 - Well skilled people working in an inclusive economy
 - More good jobs and investment in our city
 - Better homes for all
 - Strong, resilient and healthy communities
 - A vibrant, green city we can all be proud of.
- 2.2 The Council, alongside managing the emergency response to the pandemic, has undertaken extensive planning for recovery which was approved by Cabinet in September 2020. It engaged with around 2,500 people including residents, young people, the voluntary and community sector and other partners, employees, Councillors and businesses across the city. This engagement has shaped the Council's five-point recovery plan, 'Relighting Our City'
- 2.3 Relighting Our City sets out the priorities which will guide the Council's approach as the organisation and the City starts to transition from the response to the recovery phase of the pandemic:
 - Support people who need us most
 - Create more opportunities for young people
 - Support our vital local businesses
 - Generate more jobs and learning opportunities
 - Stimulate vibrant high streets and communities
- 2.4 Relighting Our City also references three cross cutting themes which cut across all of our recovery work, namely being climate focused, driven by digital and fair and inclusive in our approach.
- 2.5 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.

- 2.6 The capital programme reflects the priorities of the Strategic Asset Management Plan. Individual capital project delivery milestones and financial analysis is undertaken over the lifecycle of each project, by project managers in conjunction with Strategic Finance, and is updated in the Council's project management system. Regular project delivery updates are provided to Leadership teams and will also be provided to Project Assurance Group, enabling governance and challenge. In addition to this, a Capital Projects Member Reference Group provides enhanced project governance and challenge.
- 2.7 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.
- 2.8 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.
- 2.9 The Covid-19 pandemic has had a significant international, national and regional impact, and will continue to have, significant financial implications for the Council. Covid-19 has had an impact on development projects internationally, nationally and regionally and also on projects within the City. Given the unprecedented circumstances, there has understandably been delays on some capital schemes due to Covid-19. The Council continues to assess the potential implications of Covid-19 on its wider capital programme in terms of delivery timescales and increases in costs. The capital programme makes a significant contribution to the shaping of the City and on the economy of the City and therefore will contribute to the Council's plans for Relighting Our City.
- 2.10 On 20 November 2020, in the absence of a Council meeting, the Leader of the Council, two cabinet members, and the Chair and Vice Chair of Scrutiny Board, on behalf of the Council under the special urgency provisions as detailed in the Council's Constitution namely paragraphs 6.10 and 6.11 of article 6, approved a revised General Revenue Account capital programme totalling £299.9 million for the period 2020-2021 to 2024-2025.
- 2.11 Since then, further reports submitted to Councillors have been approved to increase this amount by £14.9 million to £314.8 million, funded from a combination of internal and external resources. Details of which can be found in Appendix 2.
- 2.12 In addition to this, reallocation of resources from the Corporate Contingency to the following projects totalling £1.5 million have been approved through Individual Executive Decision Notices, these are summarised at Appendix 2.
- £950,000 to Bushbury Crematorium to cover the costs of the second phase of the project;

- £293,000 to new individual projects within the Corporate Asset Management capital programme to facilitate works required in order that corporate priorities are addressed and met in an agile and timely manner;
- £290,000 to Art Gallery Improvement Scheme Project for the completion of phase two.

- 2.13 At the end of quarter three of the 2020-2021 financial year, expenditure to date for General Fund Revenue Account existing projects totals £53.3 million compared to the projected budget of £96.4 million.
- 2.14 This report considers specific changes to budgets. A full list of the proposed capital programme can be found in Appendix 2 to the report.
- 2.15 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	2020 - 2021	2021 - 2022	2022 - 2023	2023 - 2024	2024 - 2025	2025 - 2026	Total
	£000	£000	£000	£000	£000	£000	£000
Budget							
Approved	107,220	157,197	32,100	13,003	5,277	-	314,797
Variations							
New projects	911	645	-	-	-	-	1,556
Existing projects	(11,736)	15,274	164	-	(3,681)	-	21
	(10,825)	15,919	164	-	(3,681)	-	1,577
Projected	96,395	173,116	32,264	13,003	1,596	-	316,374
Financing							
Approved							
Internal resources	74,136	97,435	29,522	12,831	5,000	-	218,924
External resources	33,084	59,762	2,578	172	277	-	95,873
	107,220	157,197	32,100	13,003	5,277	-	314,797
Variations							
Internal resources	(6,561)	10,329	164	-	(3,681)	-	251
External resources	(4,264)	5,590	-	-	-	-	1,326
	(10,825)	15,919	164	-	(3,681)	-	1,577
Projected							
Internal resources	67,575	107,764	29,686	12,831	1,319	-	219,175
External resources	28,820	65,352	2,578	172	277	-	97,199
Projected	96,395	173,116	32,264	13,003	1,596	-	316,374

- 2.16 This report recommends variations to the approved capital programme totalling an increase of £1.6 million, which brings the total revised programme to £316.4 million.
- 2.17 Details of the all projects that have contributed to the overall increase of £1.6 million in the General Revenue Account capital programme can be found in Appendices 2 and 3 to the report, however, the key projects that have contributed to the increase in the programme are as follows;
- An increase totalling of £748,000 is proposed for the Active Travel capital programme within Transportation to reflect new grant allocations received from the

Department for Transport (DfT) and West Midlands Combined Authority (WMCA) towards Wednesfield Road for footway widening and shared cycle route project;

- In addition to this, there is a further increase of £550,000 relating to new projects within the Active Travel capital programme due to new grant awards from the DfT and Sustrans. Of which, £440,000 is allocated for the St Peters Ring Road/Waterloo Road Cycleway project to link the existing cycleway infrastructure with the new Molineux crossing, and £110,000 is allocated to the National Cycle Routes scheme for the improvement of destination and distance signage;
- An increase totalling £247,000 is proposed within the City Assets and Housing capital programme. Approval is sought to increase provision for the future programmes within the Empty Properties Strategy for 2021-2022 funded by capital receipts. In line with the policy for the Empty Properties Strategy, capital receipts generated through his work are reinvested in the programme.
- Finally, an increase of £35,000 relating to the Parks Strategy and Open Spaces capital programme reflects proposed improvements to the open spaces including planting a Tiny Forest at Oak Street and off-site improvements at Prouds Lane playing field, fully funded from the developers S106 contributions.

- 2.18 On 3 February 2021, in the absence of a Council meeting, the Leader of the Council, two cabinet members, and the Chair and Vice Chair of Scrutiny Board, on behalf of the Council under the special urgency provisions as detailed in the Council's Constitution namely paragraphs 6.10 and 6.11 of article 6, approved a revised HRA capital programme totalling £450.5 million for the period 2020-2021 to 2025-2026. Of the approved £450.5 million HRA budget, £56.3 million relates to the 2020-2021 financial year.
- 2.19 To reflect a most up to date forecast for the HRA projects available at the time of writing this report based on the regular project delivery updates, re-profiling of the programme is being proposed resulting in £7.0 million re-phasing from 2020-2021 to 2021-2022. This change has no effect to the overall approved capital budget for HRA. Expenditure to the end of quarter three 2020-2021 for existing projects totals £26.5 million compared to the projected budget of £49.4 million.
- 2.20 Table 2 shows the HRA changes proposed for 2020-2021 to 2025-2025, along with the resources identified to finance the proposed changes.

Table 2: Summary of the HRA projects:

Housing Revenue Account capital programme	2020 - 2021	2021 - 2022	2022 - 2023	2023 - 2024	2024 - 2025	2025 - 2026	Total
	£000	£000	£000	£000	£000	£000	£000
Budget							
Approved	56,343	88,330	86,260	84,280	73,330	61,930	450,473
Variations							
Existing projects	(6,957)	6,957	-	-	-	-	-
	(6,957)	6,957	-	-	-	-	-
Projected	49,386	95,287	86,260	84,280	73,330	61,930	450,473
Financing							
Approved							
Internal resources	55,724	88,330	86,260	84,280	73,330	61,930	449,854
External resources	619	-	-	-	-	-	619
	56,343	88,330	86,260	84,280	73,330	61,930	450,473
Variations							
Internal resources	(6,957)	6,957	-	-	-	-	-
External resources	-	-	-	-	-	-	-
	(6,957)	6,957	-	-	-	-	-
Projected							
Internal resources	48,767	95,287	86,260	84,280	73,330	61,930	449,854
External resources	619	-	-	-	-	-	619
Projected	49,386	95,287	86,260	84,280	73,330	61,930	450,473

3.0 Existing projects

- 3.1 The changes proposed for existing projects within the General Revenue Account capital programme total a net increase of £21,000 as detailed in paragraph 2.17. 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 within the General Revenue Account capital programme total £3.8 million, further details provided in Appendix 5 of the report.
- 3.3 The following paragraphs provide commentary on the key changes to budgets and an update on key projects.
- 3.4 The Civic Halls project is progressing well. Structural steel installation to Corporation street and Mitre Fold are largely complete and the steel installation for new seating balcony in the Wulfrun is completed. COVID-19 measures are in place and constantly being monitored to include material sourcing and sub-contractor resource levels. Operator procurement is concluding and a separate report is being presented to Cabinet.
- 3.5 The Train Station continues to remain fully open with the Interchange Phase 2 works focusing on the completion of the operational aspects of the station that include; further rail operational office space, shell and core retail provision in readiness for fit out and delivery of the station plaza which will deliver a high quality public realm gateway to the City. This programme will provide the connection and interface with the metro. Redevelopment of Phase 2 of the station continues and is due for completion by end of quarter one 2021-2022. The project has recently won its second award, being named Insider West Midlands Regeneration Project of the Year.

- 3.6 Planning consent was granted for the City Learning Quarter City Campus in late 2019 and the Council assumed project management responsibility for the new Technical Centre project at Wellington Road, Bilston as part of the overall programme management.

In spring 2020, funding was made available for detailed site investigation and design at Wellington Road which is now underway. A funding strategy is being developed to deliver the scheme.

- 3.7 In relation to the Westside project, engagement with the developer Urban & Civic is taking place to align the Councils objectives and ensure a programme of activity and a review of scheme components. The masterplan configuration and project delivery are being reviewed as part of a re-phasing exercise.

- 3.8 The construction of the first phase of the i54 Western Extension was completed in March 2020 ahead of programme. Platform preparation, services infrastructure and landscaping continues, and the fully serviced development plots are programmed to be completed during Summer 2021.

The project partners continue to receive high levels of interest from developers and operators which are considered in line with the pre-qualification requirement for occupier (employment / job creation activities) and are progressing detailed due diligence on proposals in order to progress commercial negotiations.

- 3.9 i9 is on target for summer 2021-2022 completion, with the development 'wind and water tight' and all external glazing installed and internal fit out of the building and utility connections well underway.

The building is on course to achieve Wired Score gold certification and the Council is in detailed dialogue via commercial advisors for pre-lets across two thirds of the building demise with additional pre-let engagement activity on-going.

- 3.10 The HRA Business Plan 2021-2022 including rents and service charges report to Cabinet on 20 January 2021 approved a five year capital programme which included a budget for forecast expenditure to 31 March 2021. Throughout 2020-2021, Covid-19 has had an impact on the pace of delivery, from work stopping for a period to the need to establish socially distanced safe working practices. It is now necessary to rephase £7.0 million of budgets to future years due to the continuing impact of Covid-19. £6.5 million relates to new build projects due to progress or start on site being slower than anticipated and £500,000 relates to refurbishment of existing sites.

- 3.11 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;

- Corporate Contingency to individual projects in order that corporate priorities may be address 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.

3.12 Approval is also sought to delegate authority to the Cabinet Member for City Environment, in consultation with the Director of City Environment and Director of Finance, to approve the payments of grants related to the Black Country Blue Network Phase 2 programme where appropriate in order that projects can be progressed in a timely manner.

4.0 New projects and virements

4.1 Table 3 provides a summary of new projects requiring approval, covering the period 2020-2021 to 2025-2026, 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	2020-2021 to 2025-2026		
	Forecast outturn	Additional external resources required	Virements from existing projects
	£000	£000	£000
General Revenue Account	1,556	585	971
Total	1,556	585	971

4.2 The new projects requiring approval are funded from external resources (£585,000) and virements totalling £971,000. A list of the virements can be found in Appendix 5 to the report.

4.3 Of the overall increase of £1.6 million for the General Revenue Account capital programme, an increase of £550,000 relates to the Transportation capital programme. Approval is sought for two new projects within the Active Travel capital programme to reflect additional grant allocations.

4.4 An increase totalling £35,000 reflects two new projects proposed within the Parks Strategy and Open Space Capital Programme, fully funded from developers S106 contribution.

4.5 New projects created through virements from existing projects relates to the Education and ICT capital programmes. Approval is sought to reallocate resources totalling £471,000 to support seven new projects required for the capital maintenance works across various schools within the City. Virement totalling £500,000 is proposed for a new Digital Inclusion project within ICT to facilitate the Council's recovery work in line with the Relighting Our City agenda.

5.0 Medium term capital programme financing and budget strategy

5.1 Table 4 details the approved financing for the capital programme for 2020-2021 to 2025-2026 and incorporates the requested approvals for projects included in this report.

Table 4: Approved and forecast capital financing 2020-2021 to 2025-2026

2020-2021 to 2025-2026				
General Revenue Account capital programme	Approved budget	Recommended budget	Variance	Resource as % of expenditure
	£000	£000	£000	
Expenditure	314,797	316,374	1,577	
Financing				
Internal resources				
Capital receipts	91,970	96,066	4,096	30.4%
Prudential borrowing	126,133	122,284	(3,849)	38.6%
Revenue contributions	821	825	4	0.3%
Reserves	-	-	-	0.0%
Subtotal	218,924	219,175	251	69.3%
External resources				
Grants & contributions	95,873	97,199	1,326	30.7%
Subtotal	95,873	97,199	1,326	30.7%
Total	314,797	316,374	1,577	100.0%

2020-2021 to 2025-2026				
Housing Revenue Account capital programme	Approved budget	Recommended budget	Variance	Resource as % of expenditure
	£000	£000	£000	
Expenditure	450,473	450,473	-	
Financing				
Internal resources				
Capital receipts	34,661	34,761	100	7.7%
Prudential borrowing	282,154	282,054	(100)	62.6%
Revenue contributions	18,322	18,322	-	4.1%
Reserves	114,717	114,717	-	25.5%
Subtotal	449,854	449,854	-	99.9%
External resources				
Grants & contributions	619	619	-	0.1%
Subtotal	619	619	-	0.1%
Total	450,473	450,473	-	100.0%

5.2 Capital receipts totalling £96.1 million have been assumed within the General Revenue Account capital programme over the medium term period 2020-2021 to 2025-2026 and can be seen in Table 5. This is a net increase of £4.1 million when compared to the approved budget, which has arisen due to increased loan repayments from WV Living in 2025-2026 offset in part by decreased forecast from the sale of assets and re-phasing of receipts and capital requirements.

5.3 In order to be prudent, a detailed review of the schedule of asset disposals is undertaken to identify only those that are likely to be completed. The planned utilisation of capital receipts will reflect the need to balance the benefit for both the capital programme and the revenue budget and will form part of the ongoing Medium Term Financial Strategy.

Whilst the forecast of capital receipts is deemed prudent at this stage, it will continue to be monitored closely throughout the financial year in light of the impact of the Covid-19

pandemic. In the event that capital receipts assumptions change, updates will be provided in future reports to Councillors.

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

General Revenue Account	Projected						Total £000
	2020 - 2021 £000	2021 - 2022 £000	2022 - 2023 £000	2023 - 2024 £000	2024 - 2025 £000	2025 - 2026 £000	
Capital programme receipts	20,400	24,500	29,900	10,000	10,000	1,300	96,100

5.4 It is the Council's strategy to use capital receipts to reduce the Council's need to borrow to fund the approved capital programme. Capital expenditure has a direct impact upon the Council's revenue budgets and therefore needs to be restricted to projects essential to the Council's priorities. Any proposals to increase the level of the capital programme are considered in accordance with the Capital Strategy.

6.0 Key budget risks

6.1 An analysis of the risks associated with the capital programme, along with the details of the risk control measures that are in place in order to manage and mitigate these risks as far as possible can be viewed online on the Council's website by following the link below:

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

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

7.0 Evaluation of alternative options

7.1 This report provides an update on progress of capital projects during 2020-2021 and anticipated budget requirement for future years. The evaluation of alternative project options is detailed in individual investment proposals.

8.0 Reasons for decisions

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

9.0 Financial implications

9.1 The financial implications are discussed in the body of this report. The revenue implications of the new and existing projects seeking approval for additional or changes in resources for the General Fund Revenue Account are fully reflected in the treasury management budget forecasts included in the report 'Treasury Management Strategy 2021-2022' also on the agenda for approval at this meeting.

9.2 New capital grant notifications received during quarter three 2020-2021 can be seen in the table below:

Service	Funding body	Name of grant	Amount, £
Transportation	Department for Transport (DfT)	Active Travel Fund - Wednesfield High Street	497,801
	Department for Transport (DfT)	Active Travel Fund - St Peter's ring road/ Waterloo road cycleway	440,000
	West Midlands Combined Authority (WMCA)	Better Streets Fund - Wednesfield High Street	250,000
	Sustrans	Sustrans Travel Fund	110,000
	*Black Country Local Enterprise Partnership (LEP)	Local Growth Fund - Birmingham New Road	(3,000)
Grand total grant notifications			1,294,801

*The reduction in LEP grant relates to grant no longer required as the project is now complete.

[RJ/09022021/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 1972 brought in the current regime for capital finance for local authorities. It reduced the level of central control over local authority borrowing and capital expenditure.
- 10.3 Each project mentioned in this report will have its own specific legal implications, raised and tailored in their respective reports.

[TS/05022021/R]

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 All other 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.
- 12.2 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.
- 12.3 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.
- 12.4 The Covid-19 pandemic has had a significant international, national and regional impact, and will continue to have, significant financial implications for the Council. Covid-19 has had an impact on development projects internationally, nationally and regionally and also

on projects within the City. Specific references are made where appropriate throughout the report.

13.0 Schedule of background papers

- 13.1 Special Urgency Decision, 20 November 2020 – 2020-2021 - [Capital Programme Quarter Two Review and Treasury Management Mid Year Review and other urgent matters](#)
- 13.2 Individual Executive Decision Notice, 9 December 2020, exempt - [Primary School Expansion Programme](#)
- 13.3 Special Urgency Decision, 17 December 2020 – [WV Living – equity investment](#)
- 13.4 Individual Executive Decision Notice, 18 December 2020, [exempt - Corporate Asset Management Fund - Approval of Projects 2020/21](#)
- 13.5 Cabinet (Resources) Panel, 20 January 2021 – [Art Gallery Improvement Scheme Works](#)
- 13.6 Individual Executive Decision Notice, 20 January 2021 – [Black Country Blue Network 2 Revenue and Capital Budget](#)
- 13.7 Individual Executive Decision Notice, 27 January 2021, exempt – [Secondary School Expansion Programme](#)
- 13.8 Special Urgency Decision, 3 February 2021 – [Housing Revenue Account Business Plan 2021-2022 including Rent and Service Charges](#)
- 13.9 Individual Executive Decision Notice, 3 February 2021 – Cremator Phase 2

14.0 Appendices

- 14.1 Appendix 1: Capital Strategy
- 14.2 Appendix 2: Detailed projected budget
- 14.3 Appendix 3: Detailed forecast change
- 14.4 Appendix 4: Projects requiring approval
- 14.5 Appendix 5: Virements for approval