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| <b>Report title</b>                            | Capital Budget Outturn 2021-2022 and Quarter One Capital Monitoring 2022-2023 |  |
| <b>Decision designation</b>                    | RED   |  |
| <b>Cabinet member with lead responsibility</b> | Councillor Obaida Ahmed<br>Resources and Digital City                         |  |
| <b>Key decision</b>                            | Yes   |  |
| <b>In forward plan</b>                         | Yes   |  |
| <b>Wards affected</b>                          | All Wards   |  |
| <b>Accountable Director</b>                    | Tim Johnson, Chief Executive  |  |
| <b>Originating service</b>                     | Strategic Finance   |  |
| <b>Accountable employee</b>                    | Claire Nye<br>Tel<br>Email  | Director of Finance<br>01902 550478<br>Claire.Nye@wolverhampton.gov.uk |
| <b>Report to be/has been considered by</b>     | Strategic Executive Board<br>Council  | 21 June 2022<br>20 July 2022   |

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**Recommendations for decision:**

The Cabinet recommend that Council approve:

1. The revised, medium term General Fund capital programme of £367.8 million, a net increase of £152,000 from the previously approved programme, and the change in associated resources.

That Cabinet is recommended to:

1. Approve the virements for the General Fund capital programme detailed at Appendix 4 to the report for;
  - i. existing projects totalling £4.2 million;
  - ii. new projects totalling £1.2 million.
2. Approve the virements for the Housing Revenue Account (HRA) capital programme detailed at Appendix 4 to the report for;
  - i. existing projects totalling £14.6 million;

- ii. new projects totalling £500,000.
3. Delegate authority to the Deputy Director of Assets to approve virements from the Provision for future programmes budget within the Corporate Asset Management capital programme to individual schemes in order that corporate priorities can be addressed in an agile and timely manner.

**Recommendation for noting:**

The Cabinet is asked to note:

1. That there are two new projects which are subject to separate detailed project reports also on today's agenda to Cabinet (Resources) Panel meeting. The inclusion of these projects is for budget approval purpose and is on the assumption that the approval to progress with these projects is given. As the progression is dependent on this decision, if the projects are not approved, the capital programme will be reduced accordingly. The name of these projects are;
  - Children's Residential Homes;
  - Noose Lane to School Street Active Travel Route.

## **1.0 Purpose**

- 1.1 To provide Cabinet with an update on the outturn position for 2021-2022 and update on the 2022-2023 financial performance of the General Fund and HRA capital programmes whilst also providing a revised forecast for 2022-2023 to 2026-2027, as at quarter one of 2022-2023.
- 1.2 To recommend revisions to the current approved capital programmes covering the period 2022-2023 to 2026-2027.

## **2.0 Executive summary**

- 2.1 The capital programme underpins Our City, Our Plan which was approved by Full Council on 2 March 2022. The plan incorporates key policy areas into a refreshed narrative and updated structure which has a focus on delivery and performance. The plan also aligns with the key priorities and objectives identified by the Relighting Our City Recovery framework.
- 2.2 The plan continues to identify an overarching ambition that 'Wulfrunians will live longer, healthier lives' delivered through six Council Plan priorities:
  - Strong families where children grow up well and achieve their full potential
  - Fulfilled lives with quality care for those that need it
  - Healthy, inclusive communities
  - Good homes in well connected neighbourhoods
  - More local people into good jobs and training
  - Thriving economy in all parts of the city
- 2.3 The Relighting Our City recovery framework identified three cross cutting principles which are now been taken forward and incorporated into the refreshed plan. These are:
  - Climate Conscious
  - Driven by Digital
  - Fair and Equal
- 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 also reflects the priorities of the Strategic Asset Management Plan. Individual capital project delivery milestones are set and financial analysis is undertaken over the lifecycle of each project, by project managers in conjunction with Strategic Finance, and is captured in the Council's project management system. Regular project delivery updates are provided through the relevant governance structures (including Project Assurance Group where appropriate) enabling robust governance and

challenge. In addition to this, a Capital Projects Member Reference Group provides enhanced project governance and challenge.

- 2.6 Inflation has been at the highest it has been for four decades and there is considerable uncertainty and risk of inflationary pressures across the capital programme, increases in the cost of materials are already being realised. In addition to inflation risks, there are also supply chain delays, which could impact completion dates on projects and result in further cost pressures. The Council continues to assess the potential implications on its wider capital programme in terms of delivery timescales and increases in costs. Project contingency budgets are viewed in light of these pressures in order to mitigate against such cost increases, however these are unprecedented market conditions and the ongoing risk should be noted. The capital programme makes a significant contribution to the shaping of the City and on the economy of the City and therefore will contribute to the Council's plans for Our City, Our Plan.
- 2.7 On 2 March 2022, Council approved a General Fund capital programme totalling £346.1 million for the period 2021-2022 to 2026-2027. Since then, further reports submitted to Councillors have been approved to increase this amount by £21.6 million to £367.7 million, funded from a mixture of internal and external resources. Full details can be found in Appendix 1 and are summarised below:
- £18.0 million for Oxley Health and Wellbeing facility and Residential Accommodation, funded by internal and external resources;
  - £3.1 million for the Education School Capital Programme, fully funded by grant from the Department for Education (DfE);
  - £500,000 for the WM5G project, fully funded from the Towns Fund grant allocation.
- 2.8 In addition to this, reallocation of resources totalling £4.5 million from the Corporate Provision for Future Programmes budget to various individual projects has been approved, details of which can be found in Appendix 2 to the report and are summarised below:
- £4.5 million to facilitate works required within the Corporate Asset Management capital programme in order that corporate priorities are addressed and met in an agile and timely manner;
  - £40,000 to fund the installation and purchase of audio-visual equipment and conference microphone system.
- 2.9 This report considers further specific changes to budgets. A full list of the proposed capital programme can be found in Appendix 1 to the report.
- 2.10 Table 1 shows the approved General Fund capital programme budget compared with that proposed, along with the resources identified to finance the proposed change.

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

| General Fund capital programme | 2021 - 2022     | 2022 - 2023    | 2023 - 2024   | 2024 - 2025   | 2025 - 2026  | 2026 - 2027  | Total          |
|--------------------------------|-----------------|----------------|---------------|---------------|--------------|--------------|----------------|
|                                | £000            | £000           | £000          | £000          | £000         | £000         | £000           |
| <b>Budget</b>                  |                 |                |               |               |              |              |                |
| <b>Approved</b>                | 100,495         | 143,369        | 69,018        | 43,189        | 6,810        | 4,811        | <b>367,692</b> |
| <b>Variations</b>              |                 |                |               |               |              |              |                |
| New projects                   | -               | 2,843          | 1,405         | -             | -            | -            | <b>4,248</b>   |
| Existing projects              | (17,969)        | (10,119)       | 12,673        | 6,319         | 3,000        | 2,000        | <b>(4,096)</b> |
|                                | <b>(17,969)</b> | <b>(7,276)</b> | <b>14,078</b> | <b>6,319</b>  | <b>3,000</b> | <b>2,000</b> | <b>152</b>     |
| <b>Projected</b>               | <b>82,526</b>   | <b>136,093</b> | <b>83,096</b> | <b>49,508</b> | <b>9,810</b> | <b>6,811</b> | <b>367,844</b> |
| <b>Financing</b>               |                 |                |               |               |              |              |                |
| <b>Approved</b>                |                 |                |               |               |              |              |                |
| Internal resources             | 64,810          | 65,284         | 33,109        | 27,682        | 2,053        | 54           | <b>192,992</b> |
| External resources             | 35,685          | 78,085         | 35,909        | 15,507        | 4,757        | 4,757        | <b>174,700</b> |
|                                | <b>100,495</b>  | <b>143,369</b> | <b>69,018</b> | <b>43,189</b> | <b>6,810</b> | <b>4,811</b> | <b>367,692</b> |
| <b>Variations</b>              |                 |                |               |               |              |              |                |
| Internal resources             | (10,867)        | (664)          | (3,121)       | 6,271         | 3,000        | 2,000        | <b>(3,381)</b> |
| External resources             | (7,102)         | (6,612)        | 17,199        | 48            | -            | -            | <b>3,533</b>   |
|                                | <b>(17,969)</b> | <b>(7,276)</b> | <b>14,078</b> | <b>6,319</b>  | <b>3,000</b> | <b>2,000</b> | <b>152</b>     |
| <b>Projected</b>               |                 |                |               |               |              |              |                |
| Internal resources             | 53,943          | 64,620         | 29,988        | 33,953        | 5,053        | 2,054        | <b>189,611</b> |
| External resources             | 28,583          | 71,473         | 53,108        | 15,555        | 4,757        | 4,757        | <b>178,233</b> |
| <b>Projected</b>               | <b>82,526</b>   | <b>136,093</b> | <b>83,096</b> | <b>49,508</b> | <b>9,810</b> | <b>6,811</b> | <b>367,844</b> |

2.11 This report recommends variations to the approved capital programme totalling a net increase of £152,000, which brings the total revised programme to £367.8 million.

2.12 Details of all projects that have contributed to the overall increase of £152,000 in the General Fund capital programme can be found in Appendices 1 and 2 to the report, however, the key projects are as follows;

- An increase totalling £3.0 million relating to the Noose Lane to School Street Active Travel Route project within the Active Travel capital programme (£1.9 million) and the Children's Residential Homes development project (£1.1 million), both subject to separate detailed project reports on today's agenda to the Cabinet (Resources) Panel. 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. If the projects are not approved, the capital programme will be reduced accordingly;
- There is an increase totalling £1.3 million relating to the Schools Improvements (£905,000) and Schools ICT and Equipment projects (£364,000) within the Education capital programme. These projects were fully funded from the Schools contributions received in 2021-2022;
- In addition to this, there is an increase of £314,000 relating to the i9 Office Development project, this reflects the developers cost of the lease of the site from the Council, funded through the payment of lease premium from ION.

- An increase of £266,000 relating to Interchange Phase 2 funded from contributions from the Midland Metro Alliance (MMA), in relation to Improvements to area outside i9.
- Finally, an increase totalling £250,000 is proposed within the Transportation capital programme relates to the A414 Cycle Corridor Wednesfield Phase 2 project, fully funded from the allocation of Highways Reserves;
- The increase in expenditure detailed above is offset in part by decrease of £5.0 million relating to the Transformational capitalisation projects 2021-2022. This is in accordance with the approved 2021-2022 Budget Strategy approved by Full Council in March 2021.

2.13 The outturn expenditure for 2021-2022 for existing projects totals £82.5 million. This represents 82.1% of the approved budget.

2.14 On 2 March 2022, Council approved a revised HRA capital programme totalling £457.6 million for the period 2021-2022 to 2026-2027.

2.15 Table 2 shows the approved HRA budget for information only as there are no proposed changes to the overall budget.

**Table 2: Summary of the HRA capital programme**

| Housing Revenue Account capital programme | 2021 - 2022   | 2022 - 2023   | 2023 - 2024   | 2024 - 2025   | 2025 - 2026    | 2026 - 2027    | Total          |
|---|---------------|---------------|---------------|---------------|----------------|----------------|----------------|
|   | £000          | £000          | £000          | £000          | £000           | £000           | £000           |
| <b>Budget</b>                             |               |               |               |               |                |                |                |
| <b>Approved</b>                           | 54,900        | 84,663        | 88,488        | 84,560        | 68,760         | 76,260         | <b>457,631</b> |
| <b>Variations</b>                         |               |               |               |               |                |                |                |
| New projects                              | -             | 500           | -             | -             | -              | -              | <b>500</b>     |
| Existing projects                         | 951           | 1,821         | 7,470         | 696           | (1,784)        | (9,654)        | <b>(500)</b>   |
|   | <b>951</b>    | <b>2,321</b>  | <b>7,470</b>  | <b>696</b>    | <b>(1,784)</b> | <b>(9,654)</b> | <b>-</b>       |
| <b>Projected</b>                          | <b>55,851</b> | <b>86,984</b> | <b>95,958</b> | <b>85,256</b> | <b>66,976</b>  | <b>66,606</b>  | <b>457,631</b> |
| <b>Financing</b>                          |               |               |               |               |                |                |                |
| <b>Approved</b>                           |               |               |               |               |                |                |                |
| Internal resources                        | 54,105        | 84,663        | 88,488        | 84,560        | 68,760         | 76,260         | <b>456,836</b> |
| External resources                        | 795           | -             | -             | -             | -              | -              | <b>795</b>     |
|   | <b>54,900</b> | <b>84,663</b> | <b>88,488</b> | <b>84,560</b> | <b>68,760</b>  | <b>76,260</b>  | <b>457,631</b> |
| <b>Variations</b>                         |               |               |               |               |                |                |                |
| Internal resources                        | 429           | 2,305         | 7,470         | 696           | (1,784)        | (9,654)        | <b>(538)</b>   |
| External resources                        | 522           | 16            | -             | -             | -              | -              | <b>538</b>     |
|   | <b>951</b>    | <b>2,321</b>  | <b>7,470</b>  | <b>696</b>    | <b>(1,784)</b> | <b>(9,654)</b> | <b>-</b>       |
| <b>Projected</b>                          |               |               |               |               |                |                |                |
| Internal resources                        | 54,534        | 86,968        | 95,958        | 85,256        | 66,976         | 66,606         | <b>456,298</b> |
| External resources                        | 1,317         | 16            | -             | -             | -              | -              | <b>1,333</b>   |
| <b>Projected</b>                          | <b>55,851</b> | <b>86,984</b> | <b>95,958</b> | <b>85,256</b> | <b>66,976</b>  | <b>66,606</b>  | <b>457,631</b> |

2.16 The outturn expenditure for 2021-2022 for HRA existing projects totals £55.9 million. This represents 101.7% of the approved budget.

### **3.0 Existing projects**

- 3.1 The changes proposed for existing projects within the General Fund capital programme total a net increase of £152,000 as outlined in paragraph 2.12. A more detailed listing of the individual projects can be found in Appendices 1 and 2 to the report.
- 3.2 Requests for budget virements between existing projects within the General Fund capital programme total £4.2 million, further details provided in Appendix 4 to the report.
- 3.3 The following paragraphs provide commentary on the key changes to budgets and an update on key projects.

#### Civic Halls

- 3.4 The birdcage scaffold and materials hoist has now been completely removed from Civic Halls, which has allowed all balustrade installation work around the new seating tier to be completed.
- 3.5 The Wulfrun Hall works continue to progress well, with the main hall ceiling now completed and the wall finishes now nearing completion ready for the final fix of the Mechanical & Electrical installation. The lobby and main entrance ceilings in the Wulfrun Hall have now also been completed.
- 3.6 Works to the parapet walls still continue to progress well with all new steel columns and cross beams now installed to both the Civic and Wulfrun Hall elevations in preparation for the new brickwork.
- 3.7 The project team are aligning the ongoing Civic Hall refurbishment works with the AEG contract and the wider public realm improvement programme to manage and mitigate any risks.

#### Interchange

- 3.8 In relation to Interchange, following completion of the Train Station, work is continuing on the completion the Metro Line extension including the establishment of the plaza space, Metro connection and cycle parking as the final components of the multi-modal transport interchange. A detailed programme of works has been set out to ensure a level of completion is achieved to coincide with the Commonwealth Games although additional works will continue post-Games through to late-2022.
- 3.9 Engagement is ongoing with Network Rail and West Midlands Trains to ensure continued improvements to the trackside station facility, treatment of the multi-story car park facade and connections to the Station, including subway renewal works, are agreed and programmed.

#### City Learning Quarter

- 3.10 City Learning Quarter (CLQ) is one of the Council's top regeneration priorities being fundamental to the levelling up approach for the City. The Council is responsible for the

project management and delivery of the City Learning Quarter programme which includes Phase 1, CoWTEchC (City of Wolverhampton College Technical Centre) and Phase 2, City Centre which will ultimately provide a new, refurbished and extended College building, integrated and improved Library and Adult Education facilities at land around the existing College's Metro One building at Bilston Street.

- 3.11 The CLQ Programme has successfully secured public funding of approximately £59 million from multiple sources which will now enable implementation. Phase 1, CoWTEchC has benefited from Black Country Local Enterprise Partnership (BCLEP) and West Midlands Combined Authority (WMCA) grant awards while Phase 2 will be funded by a combination of BCLEP, Council Contribution, Towns Fund, Levelling Up Fund and Department for Education Capital Funding, which has recently been confirmed.
- 3.12 Both Phase 1 and Phase 2 are at procurement stages that will conclude with the identification of preferred contractors for the college build projects in late Summer / early Autumn.

#### I54 Western Extension

- 3.13 This is a joint venture construction project with Staffordshire County Council, which reached practical completion stage in Autumn 2021. Financial projections over the last twelve months have indicated that there will be significant savings against the joint venture budget of £38.5 million and the 2021-2022 outturn figures reported support this position. Whilst the project is still incurring residual capital expenditure as it moves through to the final completion and full plot occupation phases, latest estimates (including contingencies) indicate that there will be an overall joint venture project saving in the region of £13.2 million. The project has also secured additional grant support during its life as well as firm interest in the developed plots, both of which will have a positive impact on the Council's capital programme. There are several inter dependencies between the final project expenditure, final grant secured and the final value of capital receipts achieved which impact on the overall budget requirement for the City of Wolverhampton Council. As a result, the projections in this report continue to reflect the original budgetary position for the Council and will continue to do so until there is greater certainty across these variables as the project nears final completion.

#### HRA

- 3.14 The outturn for 2021-2022 was total expenditure of on £55.9 million on HRA projects against a budget of £54.9 million. This position includes the acceleration of £5.8 million for projects to improve the condition of the existing stock and the rephasing of £4.9 million of new build projects into future years. Good progress on the programmes for high rise infrastructure and the refurbishment of Heath Town enabled the acceleration of £2.6 million into 2021-2022. In addition, £2.5 million was accelerated due to demand on void properties which required major works. In terms of the rephasing of new build projects, £3.7 million relates to developments where works are now progressing well and will be completed in 2022-2023.



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

#### 4.0 New projects and virements

4.1 Table 3 provides a summary of new projects requiring approval, covering the period 2021-2022 to 2026-2027, 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 3 to the report.

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

| Directorate             | 2021-2022 to 2026-2027      |   |   |  |
|-------------------------|-----------------------------|---|---|--|
|                         | Forecast<br>outturn<br>£000 | Additional<br>internal<br>resources<br>required<br>£000 | Additional<br>external<br>resources<br>required<br>£000 | Virements<br>from existing<br>projects<br>£000 |
| General Fund            | 4,248                       | 1,135   | 1,905   | 1,208  |
| Housing Revenue Account | 500                         | -   | -   | 500  |
| <b>Total</b>            | <b>4,748</b>                | <b>1,135</b>  | <b>1,905</b>  | <b>1,708</b>                                   |

4.2 The new projects requiring approval are funded from a mixture of internal (£1.1 million) and external (£1.9 million) resources and virements totalling £1.7 million. A list of the virements can be found in Appendix 4 to the report.

4.3 Of the overall increase of £4.2 million for the General Fund capital programme, an increase of £3.0 million relates to the Moose Lane to School Street Active Travel Route project within the Active Travel capital programme (£1.9 million) and the Children’s Residential Homes development project (£1.1 million) which are subject to a separate detailed project reports on today’s agenda to the Cabinet (Resources) Panel meeting. 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. If the projects are not approved, the capital programme will be amended accordingly.

4.4 New projects created through virements from existing projects within the General Fund relate to Corporate Asset Management and Waste capital programmes and are summarised below. A detailed list of new projects can be found in Appendix 3 to the report.

4.5 In summary, approval for the following General Fund virements is sought in this report:

- £1.0 million for 30 new projects within the Corporate Asset Management to enable the completion of priority works ensuring all council assets are statutory compliant and fit for purpose;
- £221,000 is required to facilitate four new projects within the Waste capital programme for the purchase of residential and commercial bins.

4.6 A new project created through virement from existing projects within the HRA relate to Decent Homes Stock Condition capital programme. A virement of £500,000 from the Provision for Future Programmes is required to enable progress with a new High Rise External Works project.

## 5.0 Medium term capital programme financing

5.1 Table 4 details the approved financing for the capital programme for 2021-2022 to 2026-2027 and incorporates the requested approvals for projects included in this report.

**Table 4: Approved and forecast capital financing 2021-2022 to 2026-2027**

| General Fund capital programme | 2021-2022 to 2026-2027 |                    |                |                              |
|--------------------------------|------------------------|--------------------|----------------|------------------------------|
|                                | Approved budget        | Recommended budget | Variance       | Resource as % of expenditure |
|                                | £000                   | £000               | £000           |                              |
| <b>Expenditure</b>             | <b>367,692</b>         | <b>367,844</b>     | <b>152</b>     |                              |
| <b>Financing</b>               |                        |                    |                |                              |
| Internal resources             |                        |                    |                |                              |
| Capital receipts               | 87,456                 | 84,567             | (2,889)        | 23.0%                        |
| Prudential borrowing           | 105,188                | 102,428            | (2,760)        | 27.8%                        |
| Revenue contributions          | 348                    | 2,616              | 2,268          | 0.7%                         |
| Reserves                       | -                      | -                  | -              | 0.0%                         |
| <b>Subtotal</b>                | <b>192,992</b>         | <b>189,611</b>     | <b>(3,381)</b> | <b>51.5%</b>                 |
| External resources             |                        |                    |                |                              |
| Grants & contributions         | 174,700                | 178,233            | 3,533          | 48.5%                        |
| <b>Subtotal</b>                | <b>174,700</b>         | <b>178,233</b>     | <b>3,533</b>   | <b>48.5%</b>                 |
| <b>Total</b>                   | <b>367,692</b>         | <b>367,844</b>     | <b>152</b>     | <b>100.0%</b>                |

| Housing Revenue Account capital programme | 2021-2022 to 2026-2027 |                    |              |                              |
|---|------------------------|--------------------|--------------|------------------------------|
|   | Approved budget        | Recommended budget | Variance     | Resource as % of expenditure |
|   | £000                   | £000               | £000         |                              |
| <b>Expenditure</b>                        | <b>457,631</b>         | <b>457,631</b>     | <b>-</b>     |                              |
| <b>Financing</b>                          |                        |                    |              |                              |
| Internal resources                        |                        |                    |              |                              |
| Capital receipts                          | 31,591                 | 33,433             | 1,842        | 7.3%                         |
| Prudential borrowing                      | 291,467                | 289,475            | (1,992)      | 63.3%                        |
| Revenue contributions                     | 10,615                 | 10,279             | (336)        | 2.3%                         |
| Reserves                                  | 123,163                | 123,111            | (52)         | 26.8%                        |
| <b>Subtotal</b>                           | <b>456,836</b>         | <b>456,298</b>     | <b>(538)</b> | <b>99.7%</b>                 |
| External resources                        |                        |                    |              |                              |
| Grants & contributions                    | 795                    | 1,333              | 538          | 0.3%                         |
| <b>Subtotal</b>                           | <b>795</b>             | <b>1,333</b>       | <b>538</b>   | <b>0.3%</b>                  |
| <b>Total</b>                              | <b>457,631</b>         | <b>457,631</b>     | <b>-</b>     | <b>100.0%</b>                |

5.2 Capital receipts totalling £84.6 million have been assumed within the General Fund capital programme over the medium term period 2021-2022 to 2026-2027 and can be

seen in Table 5. This is a net decrease of £2.9 million when compared to the approved budget, which has arisen due to re-profiling 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.
- 5.4 Whilst the forecast of capital receipts is deemed prudent at this stage, it will continue to be monitored closely throughout the financial year. In the event that capital receipts assumptions change, updates will be provided in future reports to Councillors.

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

| General Fund               | Projected           |                     |                     |                     |                     |                     | Total<br>£000 |
|----------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------|
|                            | 2021 - 2022<br>£000 | 2022 - 2023<br>£000 | 2023 - 2024<br>£000 | 2024 - 2025<br>£000 | 2025 - 2026<br>£000 | 2026 - 2027<br>£000 |               |
| Capital programme receipts | 28,000              | 13,200              | 10,000              | 18,000              | 12,400              | 3,000               | 84,600        |

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

## 6.0 Key budget risks

- 6.1 A key risk currently to the Council's capital programme is the market rate of inflation and the impact this could have on costs to deliver projects. Inflation is at the highest it has been for four decades and there is considerable uncertainty which is impacting contract pricing. In addition to the inflationary risks there are also supply chain delays, which could impact completion dates on projects and result in further cost pressures. The position in relation to these risks, continues to be monitored and to mitigate these risks contingency budgets are being reviewed. The current market conditions are however unprecedented, therefore quantification of the value of risk to the Council at this time is difficult.
- 6.2 An analysis of the risks associated with the capital programme, along with the details of the risk control measures that are in place in order to manage and mitigate these risks as far as possible can be viewed online on the Council's website by following the link below:

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

- 6.3 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 2021-2022 and 2022-2023 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 – Annual Report 2021-2022 and Activity Monitoring Quarter One 2022-2023' also on the agenda for approval at this meeting.
- 9.2 New capital grant notifications received during quarter one 2022-2023 can be seen in the table below:

| Service                                | Funding body  | Name of new grant                               | £000         |
|--|---|---|--------------|
| Transport                              | Department for Transport via West Midlands Combined Authority | Noose Lane to School Street Active Travel Route | 1,905        |
| ICT                                    | Department of Health  | Capital Investment in Community Capacity        | 1,070        |
| <b>Grand total grant notifications</b> |   |   | <b>2,975</b> |

[RJ/28062022/M]

## 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.

[SZ/24062022/P]

## 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 Individual Executive Decision Notice, 4 January 2022 - Towns Fund Projects - Supplementary Revenue and Capital Budgets;
- 13.2 Council, 2 March 2022 – [Final Budget Report 2022-2023](#);
- 13.3 Individual Executive Decision Notice, 15 March 2022, exempt - [Corporate Asset Management Fund – Molineux Car Park and Art Gallery](#);
- 13.4 Cabinet (Resources) Panel, 23 March 2022, exempt - [Investment in our School Assets 2022-2023](#);
- 13.5 Cabinet (Resources) Panel, 23 March 2022 - [Investing in our Well-Connected Communities Transport Capital Programme 2022-2023](#);
- 13.6 Council, 6 April 2022 - [Oxley Health and Wellbeing facility Residential Accommodation](#);
- 13.7 Individual Executive Decision Notice, 8 April 2022, exempt - [Corporate Asset Management Fund - Approval of Schemes 2022-2023](#);
- 13.8 Individual Executive Decision Notice, 16 June 2022, exempt - [Corporate Asset Management Fund - Civic Centre Replacement of Hot Water System](#);
- 13.9 Individual Executive Decision Notice, 24 June 2022 – Democratic Transparency, Accessibility and Accountability: Webcasting;

13.10 Individual Executive Decision Notice, 27 June 2022, exempt - Corporate Asset Management Fund - Approval of Schemes 2022-23.

#### **14.0 Appendices**

14.1 Appendix 1: Detailed projected budget

14.2 Appendix 2: Detailed forecast change

14.3 Appendix 3: Projects requiring approval

14.4 Appendix 4: Virements for approval