

<b>Report title</b>	Capital Budget Outturn 2022-2023 including Quarter One Capital Budget Monitoring 2023-2024	
<b>Decision designation</b>	RED	
<b>Cabinet member with lead responsibility</b>	Councillor Obaida Ahmed Resources and Digital	
<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 Tel Email	Director of Finance 01902 550475 Claire.nye@wolverhampton.gov.uk
<b>Report to be/has been considered by</b>	Strategic Executive Board Council	13 June 2023 19 July 2023

### Recommendations for decision:

The Cabinet recommend that Council approve:

1. The revised, medium term General Fund capital programme of £405.7 million, an increase of £10.8 million from the previously approved programme, and the change in associated resources.
2. The revised, medium term Housing Revenue Account (HRA) capital programme of £601.1 million, a net increase of £1.2 million from the previously approved programme, and the change in associated resources.

The 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 £6.4 million;
  - ii. new projects totalling £210,000.

2. Approve the virements for the HRA capital programme detailed at Appendix 4 to the report for:
  - i existing projects totalling £4.5 million.
3. Delegate authority to the Deputy Director of Assets to approve virements from the provision for future projects budget held within the Corporate Asset Management capital programme to individual schemes in order that corporate priorities can be addressed in an agile and timely manner.

**Recommendations for noting:**

The Cabinet is asked to note:

1. That there are new projects requiring internal resources included in this report, but which are subject to Council's approval on 19 July 2023. The inclusion of these projects is for budget approval purpose and is on the assumption that the approval to progress with the projects is given. As the progression is dependent on this decision, if the projects are not approved, the capital programme will be reduced accordingly. The reports which are subject to approval are:
  - i11 – Investing in the City's Workspace Offer. This report was considered by Cabinet (Resources) Panel on 26 April 2023 and to be presented to Full Council on 19 July 2023.
  - Bilston Asset Transformation Programme – Bilston Health & Wellbeing Facility. This report is being considered by Cabinet on this same agenda

## **1.0 Purpose**

- 1.1 To provide Cabinet with an update on the outturn position for 2022-2023 and update on the 2023-2024 financial performance of the General Fund and Housing Revenue Account (HRA) capital programmes whilst also providing a revised forecast for 2023-2024 to 2027-2028, as at quarter one of 2023-2024.
- 1.2 To recommend revisions to the current approved capital programmes covering the period 2023-2024 to 2027-2028.

## **2.0 Background**

- 2.1 On 1 March 2023, Council approved a General Fund capital programme totalling £351.5 million and a HRA totalling £599.9 million for the period 2022-2023 to 2027-2028. Since reporting to Council on 1 March 2023 further reports have been approved, increasing the General Fund capital programme by £43.4 million to £394.9 million, funded by a mixture of internal and external resources.
- 2.2 The capital programme underpins Our City: Our Plan, which was approved by Council on 1 March 2023. To ensure that the Council's resource continue to be aligned the needs and priorities of local people the plan has been refreshed and developed alongside the Medium Term Financial Strategy (MTFS).
- 2.3 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
- 2.4 These priorities together with the associated key outcomes, objectives and activity form a framework to improve outcomes for local people and deliver our levelling up ambitions.
- 2.5 Supporting the six overarching priorities are three cross cutting principles
  - Climate Conscious
  - Driven by Digital
  - Fair and Equal
- 2.6 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.

- 2.7 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.
- 2.8 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, which have resulted in budget increases on a number of projects across the General Fund capital programme. The Council will continue to monitor and report on the ongoing impact of inflation. The impact of inflation on the HRA capital programme was reported as part of the HRA Business Plan including rent and service charges annual report to Cabinet on 18 January 2023 and Council on 25 January 2023.
- 2.9 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.

### **3.0 Capital programme - Summary**

- 3.1 On 1 March 2023, Council approved a General Fund capital programme totalling £351.5 million for the period 2022-2023 to 2027-2028. Since then, further reports have been approved to increase this amount by £43.4 million to £394.9 million, funded by a mixture of internal and external resources. Full details can be found in Appendix 1 to the report and are summarised below:
- £24.0 million for the Bilston Health and Regeneration Programme (HaRP). This consists of three distinct projects, primarily funded by Capital Regeneration Projects funding from the Department for Levelling Up, Housing and Communities (DLUHC):
    - Bilston Health and Wellbeing Facility. This project, to provide a new fit for purpose building to meet future proofed Council services, healthcare needs and asset improvements to the existing Bert Williams leisure centre and associated public realm, is funded from a mixture of Capital Regeneration Projects funding and prudential borrowing.

- Bilston Market Redevelopment. This is a top up to an existing scheme, fully funded by Capital Regeneration Projects funding, to meet an identified funding gap in achieving desired outcomes. The works will focus on the external areas of Bilston market.
- Bilston Public Realm Improvements, fully funded by Capital Regeneration Projects funding, aims to improve the wider public realm around Bilston and provide improved Active Travel links between the markets and Bilston Urban Village.
- The three projects above are subject to approval as within the Bilston Asset Transformation Programme – Bilston Health & Wellbeing Facility report. Bilston Health and Wellbeing Facility is subject to Council’s approval on 19 July 2023, and both the Bilston Market Redevelopment and Bilston Public Realm Improvements are subject to the Cabinet’s approval on this agenda.
- £12.9 million for the One Public Estate – Asset Transformation Programme funded through grants and prudential borrowing subject to confirmation of successful grant bids. The Programme involves relocation of Council services from various depot assets to a central location at Hickman Avenue Depot (North) and site clearance and land remediation of the former Loxdale primary school and Stowheath day training centre.
- £3.0 million for the schools’ condition allocation capital works in 2023-2024, fully funded by Schools Condition Allocation grant;
- £2.5 million for delivery of the Homes Upgrade Grant: Phase 2 (HUG2) project within the Housing General Fund capital programme, fully funded by grant from the Department for Energy Security & Net Zero (DESNZ);
- capital investment capped at £860,000 to meet the fit out costs to convert the i11 building for dedicated Serviced Office occupancy. The proposal is subject to Council’s approval on 19 July 2023, in the i11 – Investing in the City’s Workspace Offer report.
- £121,000 for the Vibrant High Streets: improvements to high streets and local arts, cultural, heritage & creative activities that stimulate footfall, fully funded by UK Shared Prosperity Fund (UK SPF) grant allocation.

3.2 Bilston Health and Wellbeing Facility is subject to Council’s approval on 19 July 2023, and both the Bilston Market Redevelopment and Bilston Public Realm Improvements are subject to the Cabinet’s approval on this agenda. The inclusion of these projects is for budget approval purpose, and is on the assumption that the approval to progress with the projects is given. As progression is dependent on that decision, if any of the projects aren’t approved, the capital programme will be reduced accordingly;

- 3.3 In addition to this, reallocation of resources totalling £5.1 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:
- £4.3 million for the purchase of priority replacements across the Council's ageing fleet, including Waste Services, Environmental Services and the Travel Unit within the Fleet capital programme;
  - £519,000 for the purchase of waste containers within the Waste capital programme. Waste containers were requested where the bin is at the end of life, damaged or missing, if services have been reconfigured or for a new property or service. Where possible, containers are repaired or refurbished and added back to stock to ensure the service purchases the minimum number of containers necessary to provide the service safely and efficiently with a good reputation;
  - £250,000 for the Refurbishment at the Crown Street Recycle Waste Site within the Corporate Asset Management Fund capital programme to ensure the existing site is operating safely;
  - £14,000 for the Webcasting Infrastructure project within the Governance capital programme, to enable additional work required for the project completion.
- 3.4 This report reflects all approvals to 30 June 2023. However, the Council continues to operate as usual, and reports subject to delegated authority may still progress during the period of preparing the report and it being considered by the Cabinet and Full Council. Where this situation arises, an update will be provided at the relevant meeting on any material changes to the information being presented.
- 3.5 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.
- 3.6 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	2022 - 2023	2023 - 2024	2024 - 2025	2025 - 2026	2026 - 2027	2027 - 2028	Total
	£000	£000	£000	£000	£000	£000	£000
<b>Budget</b>							
<b>Approved</b>	97,474	181,214	85,418	22,709	8,126	-	<b>394,941</b>
<b>Variations</b>							
New projects	-	210	-	-	-	-	<b>210</b>
Existing projects	(29,917)	(40,375)	57,557	13,299	9,009	1,000	<b>10,573</b>
	<b>(29,917)</b>	<b>(40,165)</b>	<b>57,557</b>	<b>13,299</b>	<b>9,009</b>	<b>1,000</b>	<b>10,783</b>
<b>Projected</b>	<b>67,557</b>	<b>141,049</b>	<b>142,975</b>	<b>36,008</b>	<b>17,135</b>	<b>1,000</b>	<b>405,724</b>
<b>Financing</b>							
<b>Approved</b>							
Internal resources	37,493	73,501	44,319	6,425	2,110	-	<b>163,848</b>
External resources	59,981	107,713	41,099	16,284	6,016	-	<b>231,093</b>
	<b>97,474</b>	<b>181,214</b>	<b>85,418</b>	<b>22,709</b>	<b>8,126</b>	<b>-</b>	<b>394,941</b>
<b>Variations</b>							
Internal resources	(15,899)	(10,357)	11,756	12,900	9,000	1,000	<b>8,400</b>
External resources	(14,018)	(29,808)	45,801	399	9	-	<b>2,383</b>
	<b>(29,917)</b>	<b>(40,165)</b>	<b>57,557</b>	<b>13,299</b>	<b>9,009</b>	<b>1,000</b>	<b>10,783</b>
<b>Projected</b>							
Internal resources	21,594	63,144	56,075	19,325	11,110	1,000	<b>172,248</b>
External resources	45,963	77,905	86,900	16,683	6,025	-	<b>233,476</b>
<b>Projected</b>	<b>67,557</b>	<b>141,049</b>	<b>142,975</b>	<b>36,008</b>	<b>17,135</b>	<b>1,000</b>	<b>405,724</b>

- 3.7 This report recommends variations to the approved capital programme totalling an increase of £10.8 million which brings the total revised programme to £405.7 million.
- 3.8 Details of all projects that have contributed to the overall increase of £10.8 million in the General Fund capital programme can be found in Appendices 1 and 2 to the report, however, the key projects are as follows:
- The Corporate Provision and Contingency for Future Programmes have been revised upwards by £8.0 million over the medium term capital programme, to ensure additional contingency is in place for the future budget requirements. There are potential future budget requirements within various service areas including ICT, Corporate Asset Management, Fleet and Waste. Budget provision has been incorporated into the Corporate Provision and Contingency for Future Programmes in order to be prudent at this stage and will be allocated to individual projects using appropriate delegations. Allocations will be reported at each quarterly review. Future requirements across the capital programme remain under review;
  - An increase totalling £2.0 million relating to the Schools Devolved Formula Capital projects within the Education capital programme, funded by a mixture of internal and external resources. Contributions received from schools in 2022-2023 amounted to £1.6 million whilst Schools Devolved Formula grant allocation from the Department for Education (DfE) totalled £457,000;

- There is an increase of £505,000 relating to the Primary and Secondary School Expansion programmes, which is fully funded by the Basic Need Grant allocation from the DfE;
- In addition to this, also within the Education capital programme, an increase of £257,000 is proposed for the Schools ICT and Equipment projects, fully funded from the contributions from schools;
- Finally, there is an increase totalling £271,000 relating to the Housing General Fund capital programme funded internally. Approval is sought for an increase of £150,000 for the Housing Small Works Assistance capital project, £61,000 is proposed for the Empty Properties Strategy capital programme whilst £60,000 of the additional resources are required for the Housing General Fund General Schemes - Capitalised Salaries capital project;
- The increases above have been offset by a reduction totalling £271,000 relating to the Local Authority Delivery 2: Green Homes Grant capital project, funded by grant from the Secretary of State for Business, Energy, and Industrial Strategy (BEIS).

- 3.9 The outturn expenditure for 2022-2023 for existing General Fund projects totals £67.6 million. This represents 69.3% of the approved budget.
- 3.10 On 25 January 2023, Council approved a revised HRA capital programme totalling £599.9 million for the period 2022-2023 to 2027-2028.
- 3.11 Table 2 shows the approved HRA capital programme budget compared with that proposed, along with the resources identified to finance the proposed change.



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

Housing Revenue Account capital programme	2022 - 2023	2023 - 2024	2024 - 2025	2025 - 2026	2026 - 2027	2027 - 2028	Total
	£000	£000	£000	£000	£000	£000	£000
<b>Budget</b>							
<b>Approved</b>	72,240	131,111	142,117	106,290	77,630	70,498	<b>599,886</b>
<b>Variations</b>							
Existing projects	298	(18,536)	(1,611)	2,860	17,901	251	<b>1,163</b>
	<b>298</b>	<b>(18,536)</b>	<b>(1,611)</b>	<b>2,860</b>	<b>17,901</b>	<b>251</b>	<b>1,163</b>
<b>Projected</b>	<b>72,538</b>	<b>112,575</b>	<b>140,506</b>	<b>109,150</b>	<b>95,531</b>	<b>70,749</b>	<b>601,049</b>
<b>Financing</b>							
<b>Approved</b>							
Internal resources	72,071	128,111	140,117	106,290	77,630	70,498	<b>594,717</b>
External resources	169	3,000	2,000	-	-	-	<b>5,169</b>
	<b>72,240</b>	<b>131,111</b>	<b>142,117</b>	<b>106,290</b>	<b>77,630</b>	<b>70,498</b>	<b>599,886</b>
<b>Variations</b>							
Internal resources	306	(18,536)	(1,611)	2,860	17,901	251	<b>1,171</b>
External resources	(8)	-	-	-	-	-	<b>(8)</b>
	<b>298</b>	<b>(18,536)</b>	<b>(1,611)</b>	<b>2,860</b>	<b>17,901</b>	<b>251</b>	<b>1,163</b>
<b>Projected</b>							
Internal resources	72,377	109,575	138,506	109,150	95,531	70,749	<b>595,888</b>
External resources	161	3,000	2,000	-	-	-	<b>5,161</b>
<b>Projected</b>	<b>72,538</b>	<b>112,575</b>	<b>140,506</b>	<b>109,150</b>	<b>95,531</b>	<b>70,749</b>	<b>601,049</b>

3.12 This report recommends variations to the approved HRA capital programme totalling an overall increase of £1.2 million which brings the total revised programme to £601.1 million.

3.13 The outturn expenditure for 2022-2023 for existing HRA projects totals £72.5 million. This represents 100.4% of the approved budget.

#### **4.0 Existing projects**

4.1 The changes proposed for existing projects within the General Fund capital programme total an increase of £10.8 million as outlined in paragraph 3.6. A more detailed listing of the individual projects can be found in Appendices 1 and 2 to the report.

4.2 Requests for budget virements between existing projects within the General Fund capital programme total £3.4 million, a summary of these is available in Appendix 4 to the report.

4.3 The following paragraphs provide commentary on the key changes to budgets and an update on key projects.

#### **Interchange**

4.4 The focus of activity is finalising the tram extension works and external public realm / plaza space outside of the station. In collaboration with the Combined Authority (CA) and the Midlands Metro Alliance (MMA), who are delivering the project, a detailed programme of works has been set out to ensure completion of the tramline extension within the coming months.

## **City Learning Quarter**

- 4.5 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 managing the delivery of the CLQ programme which includes Phase 1, the City of Wolverhampton College Technical Centre (CoWTechC) and Phase 2, which will create a lifelong learning hub in Wolverhampton City Centre comprising 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.
- 4.6 The CLQ Programme has successfully secured public funding of approximately £59.0 million from multiple sources. 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.
- 4.7 Works on of CoWTechC have started, with completion of the new building anticipated in summer 2024, to enable the college opening for the new term in September 2024.
- 4.8 There will be an update to Cabinet in the coming months on the budgetary position of Phase 2 of the programme. City of Wolverhampton Council and City of Wolverhampton College continue to work in partnership with the contractor McLaughlin & Harvey to deliver phase 2. Due to circumstances outside the direct control of the council and college in relation to third-party consents for the scheme, work has been unable to start on site as planned. We are awaiting Government to solve an outstanding legal/financial situation to enable us to proceed. In the meantime, the final design work has been progressed with McLaughlin & Harvey and an announcement on when works will start will be made in due course.

## **I54 Western Extension**

- 4.9 This is a joint venture project with Staffordshire County Council and South Staffordshire District Council to construct access roads and serviced platforms ready for development. The works reached completion of the physical works in June 2023. 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 2022-2023 outturn figures reported support this position. Whilst the project is still incurring residual capital expenditure as it moves through to full plot occupation, latest estimates (including contingencies) indicate that there will be an overall joint venture project saving in the region of £12.6 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.
- 4.10 A Major global manufacturer, Fortune Brands Innovations is underway with the construction a new manufacturing, which is expected to bring to the area 250 permanent

jobs over the first year of operation, including training opportunities for apprentices and graduates. The new state-of-the-art manufacturing centre of excellence is due to be operational as the Company's EMEA (Europe, Middle East and Africa) headquarters by the end of 2023 and will include a Customer Experience Centre and Training Facility. Positive interest has been received for the remaining 25 acres.

- 4.11 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 disposal of the plots nears completion.

### **Investment Prospectus Phase 1 Delivery Strategy**

- 4.12 A programme of 'Accelerated Sites' was developed by the Council following a request from DLUHC to demonstrate schemes that could be brought forward to enable spend of funding and output realisation. Accordingly, five schemes across four sites were put forward based on criteria around land ownership, existing development agreements, developed scheme proposals and understanding of funding requirements. A Cabinet paper was approved in March 2023 which endorsed selection of these schemes and secured a series of delegations towards their advancement.
- 4.13 As part of this programme, the delivery of a higher quality hotel has been identified by CWC as a priority for the city linked to the existing and emerging leisure demand.
- 4.14 Key challenges exist in the delivery of new hotel, a business case and delivery options paper with clear recommendations on implications in respect of any requirement for Council investment is being progressed alongside external commercial advice on market assessment, best practice and profit & loss models, alongside reviewing any potential commercial terms arising from the preferred delivery route.
- 4.15 At City Centre West, the Council has been working under a Memorandum of Understanding (MoU) with a development company which functions as a delivery vehicle established by Homes England to work in partnership with the public sector to transform urban areas and create exceptional new places. Work is underway to explore scheme proposals and potential routes to formally engage development partners to bring forward a comprehensive scheme on a phased basis.
- 4.16 Similarly, at St Georges, the Council as landowner is working with Homes England as a strategic partner to agree objectives for the scheme, identify any market failure challenges and seek the optimum route to securing a development partner capable of delivering upon the stated objectives for the site with a demonstrable track record. The approach to readying St Georges for delivery involves specialist inputs to support the Council on due diligence, commercial negotiation and development of business cases including planning.

### **Brewers Yard Phase 1 – Culwell Depot relocation and new wholesale markets**

- 4.17 The first phase of the Brewers Yard masterplan, a scheme aiming to unlock three key brownfield sites to enable the delivery of up to 1,300 homes is now in progress. Phase 1 involves the relocation of Fleet services operations from the existing Culwell Street site to a new facility at the Council owned Wholesale Market site, supporting the modernisation of the Fleet and Meals on Wheels services, enabling land remediation works of the Culwell Street site to allow for disposal for residential development. The project has received grant funding from WMCA and the Towns Fund, with the balance of monies supported by Council prudential borrowing.
- 4.18 The scheme has received outline planning consent and Royal Institute of British Architects (RIBA) stage 4 design is almost complete. The ground investigation and mineshaft remediation works are complete at the Wholesale Market site. The project is due to go out to tender in the coming months with a plan to start on site in February 2024. To help minimise any programme delays a number of enabling packages have commenced which include:
- Demolition of boundary buildings
  - Relocation of the travel unit off site
  - Procurement of the sub station
  - Construction of public highways works

### **Oxley Health & Wellbeing Facility and Self & Custom Build New Homes**

- 4.19 The Council owned former Oxley Day Training Centre is a vacant asset. It is subject to ongoing anti-social behaviour and holding costs. With the support of the Black Country Integrated Care Board (ICB) a proposal has been prepared to consider the site for a much needed health & wellbeing facility.
- 4.20 The existing structures on site are subject to demolition, the budget for which is included in the Corporate Asset Management Fund capital programme.
- 4.21 Following a range of stakeholder engagement activities, an outline planning application was submitted last year. The outline planning application sought approval for two complimentary buildings consisting of a modern health & wellbeing facility and 23 new homes. Subsequently, the outline planning application received a resolution to grant at the Council's Planning Committee on 21 March 2023, subject to conditions.
- 4.22 Tendering and evaluation processes for all professional consultants has been concluded with the Procurement team preparing authorisation to award letters, tender reports, and contracts.
- 4.23 The Council's Projects & Works team are managing the demolition and site clearance. As part of the demolition approval planning notice, certain conditions relating to ecology are to be discharged. Bat surveys have concluded and badgers surveys have commenced

and a Natural England licence applied for. Site hoarding is due to be erected and demolition mobilisation is due to commence in July 2023.

### **One Public Estate – Asset Transformation Programme (Loxdale, Stowheath & Hickman Avenue Depot)**

- 4.24 The proposed project is the relocation of existing services from the former Loxdale Primary School (Loxdale) and Stowheath Day Training Centre (Stowheath) to Hickman Avenue Depot, to unlock the Stowheath and Loxdale brownfield sites for residential development. This project forms part of the wider Asset Transformation Programme. Council approval was obtained for this project to proceed, subject to grant, on 29 March 2023.
- 4.25 Demolition of the existing buildings at Hickman Avenue Depot has been completed, funded from the Corporate Asset Management Fund, to allow for the development of light industrial units to better accommodate the business units which currently occupy both Stowheath and Loxdale. Community events were held for Stowheath and Loxdale on the 12 and 19 May 2023 to obtain further feedback from stakeholders, with which the design team are currently revising the designs for planning applications to be submitted.
- 4.26 Discussions are on-going with Brownfield Land Release Fund 2 (BLRF2) and West Midlands Combined Authority (WMCA) for the part funding of this project, with Land and Property Investment Fund (LPIF) funding secured for the Stowheath scheme.

### **Bell Street Box Space**

- 4.27 The Bell Street Box Space project aims to create an event and hospitality destination venue to enhance the City's visitor offer and to drive footfall along the recently pedestrianised Victoria Street. The project is moving into the delivery phase, alongside this, an options appraisal around operating models is being developed. Phase 1 works including the demolition of 1-7A Cleveland Street have been completed at below original forecast cost estimate and the Neville Garratt building has been acquired to enhance the site to enable it to accommodate on site Heavy Goods Vehicle (HGV) servicing and to divert national grid buried cables and associated easements and facilitate the relocation of their existing sub station to enable emergency vehicular access without adverse impact on the Box Space scheme.
- 4.28 The next phase of construction works is dependent upon planning permission and vacant possession of the Neville Garratt Centre for enabling works, with the main construction contract being aligned with plans to secure an operator of the required calibre to deliver the Council's vision for this exciting visitor economy project.

### **City East Gateway – Phase 1 and 2**

- 4.29 City East Gateway Phases 1 and 2 is one of the City of Wolverhampton's top transportation scheme priorities, delivering transformational change to the highway network on the A454, linking the city centre to the wider region as part of the Key Route

Network and providing access to regeneration priority sites within the Canalside Quarter. The scheme includes improvements to ensure journey time reliability for all road users, new infrastructure to encourage use of sustainable transport including walking and cycling and delivering environmental and air quality benefits.

- 4.30 The estimated £36 million scheme is in advanced stages of Outline Business Case (OBC) discussion with the Department for Transport (DfT) to secure £30 million from the Major Road Network funding, with an aspiration to have the OBC approved in Autumn 2023. In addition, the scheme has allocated £6 million in principle match funding through the City Region Sustainable Transport Settlement (CRSTS). Further development funding to continue the progression of the scheme has been secured for the 2023/2024 financial year, with delivery of the scheme expected to commence on site in Autumn 2024.

### **City Centre Public Realm**

- 4.31 After successfully securing over £15 million from the Future High Street Fund, extensive improvements to the public realm around the restored Halls area and Victoria Street have now been successfully delivered. The result, a high-quality public realm environment to encourage visitors, events and activity into the spaces across our city centre.
- 4.32 With support from the Towns Fund and CRSTS, a £13.5 million next phase of improvements for the Lichfield Street and Queens Square environment is now under consultation. The scheme aims to provide an environment which supports café culture, provides spacious areas for pedestrians and events, and encourages use of active and sustainable travel modes to access and move around the city centre. The Full Business Case (FBC) has been submitted to the West Midlands Combined Authority for CRSTS funding, early contractor engagement is due to commence in August 2023, with delivery starting in early 2024.

### **Active Travel Schemes**

- 4.33 During COVID government released funding for schemes to encourage walking and cycling, aiming to help with social distancing and reopening of services. Wolverhampton successfully secured funding and delivered city centre schemes to support these efforts. Following this successful infrastructure delivery, Wolverhampton has secured further funding through subsequent rounds of 'Active Travel Funding' (ATF 2, 3 and now 4).
- 4.34 ATF 2 has seen £1.1 million secured to deliver the first stage of a dedicated cycle route within the ring road adjacent to the Molineux and the first stage of a route connecting the city centre to Wednesfield.
- 4.35 ATF 3 bids have secured a total of £3.5 million This will deliver a section of new cycle route from Noose Lane along the A454, connecting across the borough boundary into Willenhall. This will complement other schemes along the A454 corridor aiming to achieve a continuous cycle route between Wolverhampton and Walsall. It also includes further investment to extend the successful scheme from ATF2 along the Wednesfield

Road to connect with an existing cycleway on Wednesfield Way. Both of these schemes are in design stages, with delivery on site expected to commence in Autumn 2023.

- 4.36 Recently announced ATF4 includes a grant of £2.6 million to fund extension of the successful ATF2 ring road scheme from Chapel Ash to Broad Street, providing a key link between the city centre and several existing and planned cycle routes along the key radial routes Stafford Road, Wednesfield Road, Willenhall Road and Birmingham New Road. Construction on this is anticipated to begin in 2024.

### **Wednesfield Towns Fund**

- 4.37 Through the successful award of £3.3 million the project will deliver a series of high street interventions that will activate and regenerate the Town Centre. Following extensive and ongoing engagement with the public and stakeholders in the area, a series of priority actions have been agreed including improvements to the north and south gateways to the town which are aimed at improving the linkages and connectivity with existing retail and residential, particularly with Bentley Bridge to the south. Other improvements include upgrades to retail frontages and pedestrian access points onto the high street and canal. Links to new and existing cycle routes are also a priority to encourage greater take up of active travel in the area.
- 4.38 We have been working closely with the High Streets Task Force to focus on a Placemaking strategy for the town and as well as those activities already identified, the Towns Fund will also help with activations within the town centre such as creating the infrastructure for and supporting the organisation of events and attractions including the creation of new play areas and improvements to how the current market looks and functions.
- 4.39 Detailed design work for these interventions has already begun and further consultation will follow. It is anticipated that works will take 18 months to complete.

### **Housing Revenue Account (HRA)**

- 4.40 The outturn for 2022-2023 was total expenditure of £72.5 million on HRA projects against a budget of £72.2 million. This position includes the acceleration of £4.6 million for projects to improve the condition of the existing stock and the rephasing of £4.3 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 £3.8 million into 2022-2023. In terms of the rephasing of new build projects, this is enabling a full review of pipeline schemes by the Housing development team to ensure they meet current housing need, are fuel efficient and meet the latest housing safety standards.
- 4.41 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.

## 5.0 New projects and virements

5.1 Table 3 provides a summary of new projects requiring approval, covering the period 2022-2023 to 2027-2028, 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	2022-2023 to 2027-2028	
	Forecast outturn	Virements from existing projects
	£000	£000
General Fund	210	210
<b>Total</b>	<b>210</b>	<b>210</b>

5.2 The new projects requiring approval are created through virements from existing projects within the General Fund totalling £210,000. This is discussed below whilst a list of the virements can be found in Appendix 4 to the report.

5.3 In summary, approval for the following new projects created through the virements totalling £210,000 is sought in this report:

- Virements totalling £140,000 are proposed for six new projects within the Schools Capital Maintenance capital programme, to facilitate works across various schools in the City. Virements are funded externally by grant from the Department for Education (DfE);
- Further to this, reallocation of resources totalling £70,000 from the provision for future projects budget held within the Building Schools for the Future ICT Infrastructure capital programme is required to two new individual projects, to support provision of ICT equipment for The Kings, Church of England Academy and Lawnswood Campus. Virements are funded from the existing internal resources.

5.4 On 6 July 2022, Cabinet approved the recommendation to delegate authority to the Deputy Director of Assets to approve virements from the provision for future projects 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. Approval is sought in this report to continue this delegation. It should be noted that there were three virements totalling £34,000 approved through the delegated authority to support urgent works. These can be seen in the Appendix 5 to the report.



## 6.0 Medium term capital programme financing

6.1 Table 4 details the approved financing for the capital programme for 2022-2023 to 2027-2028 and incorporates the requested approvals for projects included in this report.

**Table 4: Approved and forecast capital financing 2022-2023 to 2027-2028**

2022-2023 to 2027-2028				
General Fund capital programme	Approved budget	Recommended budget	Variance	Resource as % of expenditure
	£000	£000	£000	
<b>Expenditure</b>	<b>394,941</b>	<b>405,724</b>	<b>10,783</b>	
<b>Financing</b>				
Internal resources				
Capital receipts	63,702	62,731	(971)	15.5%
Prudential borrowing	98,576	106,156	7,580	26.2%
Revenue contributions	1,570	3,361	1,791	0.8%
Reserves	-	-	-	0.0%
<b>Subtotal</b>	<b>163,848</b>	<b>172,248</b>	<b>8,400</b>	<b>42.5%</b>
External resources				
Grants & contributions	231,093	233,476	2,383	57.5%
<b>Subtotal</b>	<b>231,093</b>	<b>233,476</b>	<b>2,383</b>	<b>57.5%</b>
<b>Total</b>	<b>394,941</b>	<b>405,724</b>	<b>10,783</b>	<b>100.0%</b>

2022-2023 to 2027-2028				
Housing Revenue Account capital programme	Approved budget	Recommended budget	Variance	Resource as % of expenditure
	£000	£000	£000	
<b>Expenditure</b>	<b>599,886</b>	<b>601,049</b>	<b>1,163</b>	
<b>Financing</b>				
Internal resources				
Capital receipts	33,139	36,004	2,865	6.0%
Prudential borrowing	422,540	421,040	(1,500)	70.0%
Revenue contributions	5,279	5,279	-	0.9%
Reserves	133,759	133,565	(194)	22.2%
<b>Subtotal</b>	<b>594,717</b>	<b>595,888</b>	<b>1,171</b>	<b>99.1%</b>
External resources				
Grants & contributions	5,169	5,161	(8)	0.9%
<b>Subtotal</b>	<b>5,169</b>	<b>5,161</b>	<b>(8)</b>	<b>0.9%</b>
<b>Total</b>	<b>599,886</b>	<b>601,049</b>	<b>1,163</b>	<b>100.0%</b>

6.2 Capital receipts totalling £62.7 million have been assumed within the General Fund capital programme over the medium term period 2022-2023 to 2027-2028 and can be seen in Table 5. This is a net decrease of £971,000 when compared to the approved budget, which has arisen due to re-profiling of receipts and capital requirements.

6.3 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.

- 6.4 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 £000
	2022 - 2023 £000	2023 - 2024 £000	2024 - 2025 £000	2025 - 2026 £000	2026 - 2027 £000	2027 - 2028 £000	
Capital programme receipts	8,900	12,500	16,900	10,500	6,900	7,000	62,700

- 6.5 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.
- 6.6 As reported at the Cabinet meeting of 22 March 2023, the Black Country Joint Committee Collaboration Agreement (Collaboration Agreement) was updated to reflect the abolition of the Black Country Local Enterprise Partnership (BCLEP), which included arrangements for the reversion of the Black Country Enterprise Zones (BCEZ) to their geographical Local Authority by 31 March 2025. As a result of this, the Council is due to benefit to a value of £5.0 million as a first priority from the projected cumulative business rates surpluses generated by the Council from the Enterprise Zone for project investment. Only when business cases have been developed for the use of any surpluses, including the priority funding, and subsequently approved, will this be incorporated into the capital programme.

## 7.0 Key budget risks

- 7.1 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.
- 7.2 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](#)

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

## 8.0 Evaluation of alternative options

8.1 This report provides an update on progress of capital projects during 2022-2023 and anticipated budget requirement for future years. The evaluation of alternative project options is detailed in individual investment proposals.

## 9.0 Reasons for decisions

9.1 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.

## 10.0 Financial implications

10.1 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 are fully reflected in the treasury management budget forecasts included in the report 'Treasury Management – Annual Report 2022-2023 and Activity Monitoring Quarter One 2023-2024' also on the agenda for approval at this meeting.

New capital grant notifications received during quarter one 2023-2024 can be seen in the table below. Notifications can either confirm new, or additions to existing grants, or reflect reductions in existing grants where resources are no longer required:

Service	Funding body	Name of new grant	£000
School Planning & Resources	Department for Education (DfE)	Basic Need Grant	505
School Planning & Resources	Department for Education (DfE)	Devolved Formula Capital	457
Transportation	Department for Transport via WMCA	CRSTS Major Scheme Allocation	225
Transportation	Department for Transport via WMCA	S31 Transport Highway Maintenance Fund	27
City Housing	Secretary of State for Business, Energy, and Industrial Strategy (BEIS)	Green Homes Grant: Local Authority Delivery Phase 2	(271)
Transportation	Department for Levelling Up, Housing and Communities	The European Regional Development Fund	(156)
Transportation	Department for Levelling Up, Housing and Communities	The European Regional Development Fund	(77)
Transportation	Department for Transport via WMCA	Active Travel Tranche 2	(25)
Transportation	Department for Transport via WMCA	Transforming Cities Fund 1	(17)
Transportation	Department for Transport via WMCA	UK Shared Prosperity Fund	(5)
<b>Grand total grant notifications</b>			<b>663</b>

[RJ/03072023/O]

## 11.0 Legal implications

11.1 Section 151 of the Local Government Act 1972 requires local authorities to make arrangements for the proper administration of their financial affairs.

- 11.2 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.
- 11.3 Each project mentioned in this report will have its own specific legal implications, raised and tailored in their respective reports.  
[SZ/04072023/P]

## **12.0 Equalities implications**

- 12.1 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.
- 12.2 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.

## **13.0 All other implications**

- 13.1 A wide range of projects delivered through the capital programme have significant environmental implications and are geared to promote improvements to the physical environment.
- 13.2 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.
- 13.3 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.

## **14.0 Schedule of background papers**

- 14.1 Council, 1 March 2023 – [Final Budget Report 2023-2024](#);
- 14.2 Cabinet, 22 March 2023 – [Investing in the School Estate](#);
- 14.3 Cabinet, 22 March 2023 - [Investing in our Well-Connected Communities Transport Capital Programme 2023-2024](#);
- 14.4 Cabinet (Resources) Panel, 22 March 2023, exempt - [Bell Street Box Space – Acquisition of Neville Garratt Centre](#);
- 14.5 Council, 29 March 2023 - [One Public Estate – Asset Transformation Programme](#);
- 14.6 Individual Executive Decision Notice, 6 April 2023 - [Connected Services Programme](#);
- 14.7 Cabinet (Resources) Panel, 26 April 2023, exempt - [Investment in our School Assets 2023-2024](#);

- 14.8 Individual Executive Decision Notice, 3 May 2023 - Skills Team Service Delivery Base New Proposal;
- 14.9 Individual Executive Decision Notice, 7 May 2023 - [UK Shared Prosperity Fund 2023/24](#);
- 14.10 Individual Executive Decision Notice, 9 May 2023 – [Corporate Asset Management Fund – Crown Street Recycle Waste Site Refurbishment](#);
- 14.11 Individual Executive Decision Notice, 22 May 2023, exempt – [Capital Request for Waste Containers](#);
- 14.12 Individual Executive Decision Notice, 24 May 2023 – [St Bartholomew’s CE Primary School Expansion – Highways Work and Stow Heath Primary School Resource Base](#);
- 14.13 Individual Executive Decision Notice, 24 May 2023 - [Hill Avenue Academy School Expansion Programme Update](#);
- 14.14 Individual Executive Decision Notice, 20 June 2023 - Expansion of Broadmeadow Special School;
- 14.15 Individual Executive Decision Notice, 3 June 2023, exempt – Fleet Capital Budget;
- 14.16 Individual Executive Decision Notice - Home Upgrade Grant: Phase 2 Grant Approval;
- 14.17 Individual Executive Decision Notice – Webcasting
- 14.18 Council, 19 July 2023 – [Bilston Health & Wellbeing Facility](#);
- 14.19 Council, 19 July 2023 - [i11 Building, 4-5 Victoria Square - Investing in the City’s Offer](#).

## **15.0 Appendices**

- 15.1 Appendix 1: Detailed projected budget
- 15.2 Appendix 2: Detailed forecast change
- 15.3 Appendix 3: Projects requiring approval
- 15.4 Appendix 4: Virements for approval
- 15.5 Appendix 5: Virements to note