

## The City of Wolverhampton Council

### Capital Strategy

#### 1.0 Introduction – what is the capital strategy?

- 1.1 The Capital Strategy is a key document for the Council and forms part of the authority's integrated capital, revenue, strategic asset management and balance sheet planning. The following sections provide a high-level overview of how capital expenditure, capital financing and treasury management activity are undertaken in line with service objectives, whilst taking account of stewardship, value for money, prudence, sustainability and affordability.
- 1.2 Furthermore, it 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.
- 1.3 The Capital Strategy has direct links to other Council strategies and plans such as the Treasury Management Strategy, Housing Strategy, Strategic Asset Management Plan, and forms a key part of the Council's Medium Term Financial Strategy (MTFS). These all underpin the delivery of Our City: Our Plan.

#### 2.0 Capital expenditure - how does capital expenditure fit in with the Council's wider objectives? What is the framework in place to ensure effective and sustainable investment?

- 2.1 The Council's Capital Strategy is underpinned by the strategic approach to align resources to Our City, Our Plan which was approved by Full Council on 2 March 2022. To ensure that the Council's resources continue to be aligned to the needs and priorities of local people the plan has been refreshed.
- 2.2 Our City, Our Plan sets out an ambition that 'Wulfrunians will live longer, healthier lives.' Delivery of this ambition is supported by six overarching priorities.
- Strong families where children grow up well and achieve their full potential
  - Fulfilled lives for all 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.

Supporting the six overarching priorities are three cross cutting principles:

- Climate Conscious
- Driven by Digital
- Fair and Equal

- 2.3 Like many other councils, the City of Wolverhampton Council has experienced significant funding reductions over the last 10 years and more recently significant increases in costs, and we need to make careful choices in where we prioritise the money we spend. However, despite the financial challenges faced, the Council's 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 to create neighbourhoods in which people are proud to live.
- 2.4 The Council's capital investment aims to attract further inward investment to help the local economy to grow and thrive, so every pound invested by the authority generates a local economic benefit well in excess of this initial investment.
- 2.5 The **Vision 2030** details our ambition to work with commercial partners to enable major developments in the city centre and embed collaborative working with the private sector as the primary driver of inclusive growth in the city. Looking into the horizon, what might the City of Wolverhampton look and feel like in 2030? The City is already one of the fastest changing cities in the UK and is playing a leading role in supporting devolution to the West Midlands via the West Midlands Combined Authority. Our medium term capital investment plans to 2026-2027 mark a significant step change and will take us closer to the City described in our 'New Horizons' vision for the City of Wolverhampton in 2030. In 2030 Wolverhampton will be place where people come from far and wide to work, shop, study and enjoy our vibrant city but this can only be realised by effective collaboration across the City and beyond. We will transform our City into a prosperous and inclusive place that celebrates its diversity and heritage and plays its part on the regional, national and international stage.
- 2.6 The Council's Capital Strategy includes all capital expenditure and capital investment decisions not only as an individual local authority but also those entered into under group arrangements or other partnership arrangements. Detailed financial planning is focussed on the medium term to reflect the availability of robust information including the timing of asset disposals, government funding and local tax generation.

The Council's forecast long-term capital investment plan is underpinned by the five principles of the Financial Strategy which is underpinned by eight core workstreams. Using the Core Workstreams as the framework for the Financial Strategy detailed delivery plans are being developed all with lead directors. This strategy has also been reviewed and refreshed to ensure that resources remain aligned to our priorities. The Core principles are:

**Core Principles:**

- **Focusing on Core Business.** Focus will be given to those activities that deliver the outcomes local people need and which align to our Council Plan and Financial Strategy.

- **Promoting Independence and Wellbeing.** We will enable local people to live independently by unlocking capacity within communities to provide an effective and supportive environment
- **Delivering Inclusive Economic Growth.** We will continue to drive investment in the City to create future economic and employment opportunities.
- **Balancing Risk.** We will ensure decisions on evidence, data and customer insight.
- **Commercialising our Approach.** We will boost social value in our City by maximising local procurement spend with people and businesses.

- 2.7 A key element of achieving our goals is how we use all our resources, and this includes our land and buildings. To support this, the Council has an **Asset Management Policy** in place which provides an overview of the Council's land and property estate, together with the main priorities for managing and developing that estate over the next five years. The key principles and priorities of this plan are reflected in the Capital Strategy.
- 2.8 In addition to this, the Council has a **Housing strategy** which will support Wolverhampton in achieving its long term ambitions for housing; improving the quality and supply of housing, to support current and future residents who will have a fundamental role to play in developing Wolverhampton's identity and economic function as a key place on the regional, UK and international stage.
- 2.9 In order to support communities and people in the City, the **City of Wolverhampton Education Place Planning 2020-2022 Strategy** outlines anticipated levels of future demand and key policy decisions adopted by the Council to guide the ongoing development of the City's primary and secondary school estate. This vision is a key feature of the City of Wolverhampton Council's approach to meeting its statutory duties as an advocate for parents and families, supporting vulnerable children and championing educational excellence.
- 2.10 Furthermore, the **Vision for Public Health for the City of Wolverhampton by 2030** provides an approach and framework for improving the health and wellbeing and reducing inequalities of the city's population. Having the best start in life, an excellent education, a stable, rewarding job and a decent home in a thriving community are the strongest factors that influence both how long a person is likely to live and their quality of life. Evidence suggests that getting these factors right, coupled with enabling access to high quality health and care services, will have a significant impact on the behaviours, lifestyle choices and health of our residents. This Vision focusses on making the greatest impact on these areas that influence health and wellbeing and outlines a way of working that will help support doing so.
- 2.11 In July 2019, the Council declared a 'Climate Emergency', noting the impact of climate change around the world. The Council's Climate Change Strategy outlines the Council's commitment to be carbon-neutral by 2028 and how the Council will work with a wide range of partners across the city to safeguard health, safety and well-being of our City and the future generations that will inherit it.

2.13 The Council has also designed the **Youth Engagement Strategy**, #YES, to improve the well-being of all children and young people living in the City of Wolverhampton. This vision is 'Happy Healthy Children and Young People'. It recognises the importance of young people's voice in shaping services, valuing their contribution in making the City a great place to bring up families.

### **3.0 Capital Expenditure and the Medium Term Financial Strategy**

3.1 Capital investment results in the enhancement or creation of a new asset. The expenditure often spans a number of years and may be funded from a variety of sources including capital receipts and borrowing. However, when developing the Capital Programme, close attention is paid to the direct impact capital expenditure can have on revenue budgets and the Council's **Medium Term Financial Strategy** and the **Housing Revenue Account Business Plan**, including the cost of borrowing in the form of interest charges and Minimum Revenue Provision.

3.2 It is a statutory requirement under Section 33 of the Local Government Finance Act 1992 (the Act), for the Council to produce a balanced budget. When calculating its budget requirement for the forthcoming financial year, the Council must include the revenue costs that result from capital financing decisions. Therefore, increases in capital expenditure must be limited to a level whereby increases in interest charges, Minimum Revenue Provision and other costs associated with borrowing to finance capital expenditure, as well as any increases in running costs from new capital projects, are contained to a level which is affordable and sustainable within the projected income of the Council for the foreseeable future. The **Medium Term Financial Strategy** is updated regularly to incorporate the ongoing revenue implications arising as a result of existing and new capital investment decisions, as well as ongoing maintenance costs, to ensure that that investment decisions are affordable and sustainable.

3.3 As detailed in the Council's **Treasury Management Strategy**, it is a statutory duty under Section 3 of the Act and supporting regulations, for the Council to determine and keep under review how much it can afford to borrow. The amount so determined is termed the "Affordable Borrowing Limit". In England and Wales, the Authorised Limit represents the legislative limit specified in the Act.

3.4 The Council must have regard to the Prudential Code when setting the Authorised Limit, which essentially requires it to ensure that total capital investment remains within sustainable limits and, in particular, that the impact upon its future Council tax and Council housing rent levels is 'acceptable'.

### **4.0 Capital Funding Streams**

4.1 The capital programme can be funded from a variety of internal and external resources, as detailed below:

- Capital receipts – money received from the disposal of land and other assets, and from the repayment of grants and loans made by the Council.

- Prudential borrowing – monies obtained by the Council from entering into a loan agreement.
- Revenue contributions – a contribution from the revenue budget to fund capital expenditure.
- Reserves – money set aside for a specific purpose that can be applied to fund capital expenditure.
- Capital grants – a funding contribution, often by Central Government, towards the cost of capital projects.
- Section 106 contributions – a financial contribution from private developers towards the costs of providing community and social infrastructure, the need for which has arisen as a result of a new development taking place.
- External contributions – a financial contribution from an external organisation.

4.2 The Council aims to maximise external funding opportunities through:

- Collaboration with the West Midlands Combined Authority;
- The development of strategic investment pipeline so that we are ready for grant opportunities when they arise.

## **5.0 Project establishment and approval**

5.1 As a Council we undertake a significant number of projects and programmes each year. Business cases for capital project proposals are initially prepared by project managers in accordance with the Council's Project Management Process. The business case will include an appraisal of the project identifying the objectives of the project. In addition to this, the project manager will seek guidance and support from subject matter experts within the organisation to enable them to consider project implications such as capital and revenue expenditure over the project lifecycle, risks associated with project delivery and legal implications.

5.2 In order to ensure the development of robust business cases and governance procedures, an internal multi-disciplinary Officer led working group, titled Project Assurance Group (PAG), reviews and discusses the details of projects at the initiation stage. The Group provide assurance that representatives of key business areas, including legal, finance, asset management, procurement, commercial and EDI have reviewed and discussed the details of projects, including any interdependencies that may exist, and that the project will be delivered in accordance with priorities as set out in **Our City, Our Plan**, prior to being submitted to the next stage of the process.

5.3 In order to ensure strategic oversight of projects, they are reviewed by Leadership Teams and/or Strategic Executive Board (SEB). SEB, including the Council's Director of Finance, strategically review project business cases to ensure that the project will be delivered in accordance with Council priorities and is affordable. Capital projects will be assessed and prioritised based on:

- Council priorities;
- Asset Management Plan priorities;
- City wide priorities;
- Identified need including health and safety requirements;

- Affordability;
- Deliverability;
- Income generation including business rates and council tax receipts;
- Transformation.

- 5.4 If the project receives SEB agreement it will be included in reports presented to Cabinet and Full Council for consideration and approval, as required in the **Financial Procedure Rules** within the Council's **Constitution**. If the project is approved, project expenditure and financing will then be built into the Council's capital programme and **Medium Term Financial Strategy** (MTFS) or **Housing Revenue Account Business Plan**.
- 5.5 To manage our capital projects effectively and efficiently, we need to know how we are performing. In order to do this, individual capital project delivery milestones and financial analysis is undertaken over the lifecycle of each project, by project managers in conjunction with professional colleagues from across the organisation including Strategic Finance and is updated in the Council's project management system. Regular project delivery updates are provided to directorate leadership teams or project boards and will also be provided to PAG, where appropriate, enabling robust governance and challenge. In addition to this, the Capital Projects Member Reference Group provides further enhanced project governance and challenge.

## **6.0 Governance**

- 6.1 The City of Wolverhampton Council's Full Council makes decisions on a variety of issues, primarily linked with the budgetary and policy framework. Full Council will provide overall direction and approval of the Capital Strategy, and investment in the Capital Programme.
- 6.2 Cabinet and Full Council will continue to receive quarterly capital programme and treasury management monitoring reports throughout the financial year and will approve variations to the capital programme as appropriate.
- 6.3 The Strategic Executive Board has responsibility for the strategic development, management and monitoring of the capital and investment programme.
- 6.4 The Director Finance will report on the sustainability and affordability of individual capital projects and the overarching capital programme, including the implications on the Medium Term Financial Strategy.
- 6.5 Through the work of Scrutiny Board and Resources and Equality Scrutiny Panel there is oversight and scrutiny of performance and budget monitoring, budget and MTFS and treasury management strategy.

## 7.0 Projected Capital Programme

- 7.1 The Capital Strategy, for the Council's General and Housing Revenue Account, sets out the plans to invest over £800 million in the City over the next six years together with the funding to support that investment.
- 7.2 The HRA Business Plan outlines the Council's approach to utilising HRA borrowing flexibilities to increase the provision of new homes for rent, whilst continuing to invest in better and safer homes programmes to the existing stock and improving and redeveloping housing estates.
- 7.3 The Council's projected General and Housing Revenue Account capital programmes are detailed in the table below:

**Table 1 – Projected Capital Programme 2022-2023 to 2026-2027**

General Revenue Account capital programme	2022 - 2023	2023 - 2024	2024 - 2025	2025 - 2026	2026 - 2027	2027 - 2028	Total
	£000	£000	£000	£000	£000	£000	£000
General Fund capital programme							
<b>Projected Budget</b>	<b>97,474</b>	<b>168,372</b>	<b>69,053</b>	<b>9,810</b>	<b>6,811</b>	<b>-</b>	<b>351,520</b>
<b>Projected Financing</b>							
Internal resources	37,493	69,988	40,630	5,053	2,054	-	155,218
External resources	59,981	98,384	28,423	4,757	4,757	-	196,302
<b>Projected Financing</b>	<b>97,474</b>	<b>168,372</b>	<b>69,053</b>	<b>9,810</b>	<b>6,811</b>	<b>-</b>	<b>351,520</b>
Housing Revenue Account							
<b>Projected</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>Projected Financing</b>							
Internal resources	72,224	128,111	140,117	106,290	77,630	70,498	594,870
External resources	16	3,000	2,000	-	-	-	5,016
<b>Projected Financing</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>

- 7.4 Some of the major investments over the medium term included within the capital programme include:
- **Wolverhampton Interchange** - this involves the creation of a fully integrated transport hub at Wolverhampton providing an attractive and effective gateway for the Black Country with improved links to Birmingham and the proposed high speed railway (HS2). Redevelopment of Phase 2 of the station is now complete, with work underway on the establishment of the plaza space, Metro connection and cycle parking as the final components of the multi-modal transport interchange.
  - **School Expansion Programme** – projected levels of demand for school places will be required in the future to ensure that supply can meet demand. The projected capital programme includes provision for primary and secondary school expansion programmes totalling £23.4 million.
  - **City Learning Quarter** - this is one of the Council's top regeneration priorities being fundamental to the levelling up approach for the City that will provide a new

learning campus within the City Centre. Phases 1 and 2 of the scheme is currently forecast as a £59.0 million capital project.

- **Civic Halls** – a full improvement and restoration scheme to the Civic Halls is underway. This will secure jobs and investment and enable the city to meet future demand and stimulate further economic development. A major milestone was reached when practical completion took place and ‘The Halls’ were transferred to AEG Presents on 6 December 2022. The majority of the public realm works have also been completed to programme. The Halls are scheduled to open in June 2023.
- **Brewers Yard** – 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. This will enable site clearance and land remediation works of the Culwell Street site to allow for disposal for residential development. The projected capital programme includes £16.1 million for Phase 1.
- **Oxley Health and Wellbeing Facility and Residential Accommodation** – this project involves the creation of a modern and integrated health and wellbeing facility, as well as the provision of accommodation for key workers and additional affordable housing units. This scheme has a provision of £18.0 million in the projected capital programme.

7.5 The table below details the projected financing for the capital programme over the medium term period.

Table 2 - Projected capital financing 2022-2023 to 2027-2028

2022-2023 to 2027-2028		
General Fund capital programme	Recommended budget £000	Resource as % of expenditure
<b>Expenditure</b>	<b>351,520</b>	
<b>Financing</b>		
Internal resources		
Capital receipts	62,722	17.8%
Prudential borrowing	91,043	25.9%
Revenue contributions	1,453	0.4%
Reserves	-	0.0%
<b>Subtotal</b>	<b>155,218</b>	<b>44.1%</b>
External resources		
Grants & contributions	196,302	55.9%
<b>Subtotal</b>	<b>196,302</b>	<b>55.9%</b>
<b>Total</b>	<b>351,520</b>	<b>100.0%</b>

2022-2023 to 2027-2028		
Housing Revenue Account capital programme	Recommended budget £000	Resource as % of expenditure
<b>Expenditure</b>	<b>599,886</b>	
<b>Financing</b>		
Internal resources		
Capital receipts	33,139	5.5%
Prudential borrowing	422,693	70.5%
Revenue contributions	5,279	0.9%
Reserves	133,759	22.3%
<b>Subtotal</b>	<b>594,870</b>	<b>99.2%</b>
External resources		
Grants & contributions	5,016	0.8%
<b>Subtotal</b>	<b>5,016</b>	<b>0.8%</b>
<b>Total</b>	<b>599,886</b>	<b>100.0%</b>

- 7.6 Capital receipts totalling £62.7 million have been assumed within the General Fund capital programme. In order to be prudent, a detailed review of the schedule of disposals is undertaken to identify only those that are likely to be completed. The planned utilisation of capital receipts is kept under review and reflects the need to balance the benefit for both the capital programme and the revenue budget.

## 8.0 Debt, Borrowing and Treasury Management

### 8.1 Treasury management is defined as:

“the management of the local authority’s borrowing, investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.”

### 8.2 The Council’s **Treasury Management Strategy Report** incorporates six elements:

- The Treasury Management Strategy – this document summarises in strategic terms the approach the Council will take in performing its treasury management activities.
- The Annual Investment Strategy – this document sets out in detail the conditions under which the Council will place investments.
- The Prudential and Treasury Management Indicators – this document details indicators that will be kept under review to ensure affordability or prudence.
- Minimum Revenue Provision Statement – this document details the annual revenue charge which spreads the financing of capital expenditure over the life expectancy of the asset.
- The Disclosure for Certainty Rate – this document details information required in order for the Council to access cheaper borrowing rates.
- The Treasury Management Policy – this document defines the policy and objectives of treasury management activities.

### 8.3 The Council continues to follow a strategy of keeping cash balances to a minimum and avoiding external borrowing unless absolutely necessary. In the short term, this has resulted in significant revenue budget reductions, whilst also serving to protect the Council from the risk of exposure to loss on the money markets, which remain relatively fragile.

### 8.4 The Council’s forecast external debt/prudential borrowing over the medium term is detailed in the table below:

**Table 3 – Forecast External Debt over the medium term**

<b>PI 2 - Estimates and actual capital financing requirement General and HRA.</b>				
The capital financing requirement measures the authority’s underlying need to borrow for a capital purpose.				
	2022-2023	As at 22 February 2023		
	Forecast	2023-2024	2024-2025	2025-2026
	£000	Forecast	Forecast	Forecast
		£000	£000	£000
General Fund *	685,052	719,461	719,195	685,234
HRA	303,596	391,937	493,346	561,714
<b>Total capital financing requirement</b>	<b>988,648</b>	<b>1,111,398</b>	<b>1,212,541</b>	<b>1,246,948</b>
* Service investments included in General Fund figure. These relate to areas such as capital expenditure on investment properties and loans to third parties etc. for service and regeneration delivery purposes.	32,474	44,792	42,692	32,776
<b>Movement in capital financing requirement represented by:</b>				
New borrowing for capital expenditure	67,862	156,049	138,600	71,882
Less minimum revenue provision/voluntary minimum revenue provision	(33,684)	(33,299)	(37,457)	(37,475)
<b>Movement in capital financing requirement</b>	<b>34,178</b>	<b>122,750</b>	<b>101,143</b>	<b>34,407</b>

- 8.5 The Council has a statutory duty under Section 3 of the Local Government Finance Act 1992 (the Act) and supporting regulations, to determine and keep under review how much it can afford to borrow. The amount so determined is termed the “Affordable Borrowing Limit”. In England and Wales the Authorised Limit represents the legislative limit specified in the Act.
- 8.6 When setting the Authorised Limit, the Council must have regard to the Prudential Code, which essentially requires it to ensure that total capital investment remains within sustainable limits and, in particular, that the impact upon its future Council tax and Council housing rent levels is ‘acceptable’. The Authorised Limit for the current financial year and three successive financial years and can be seen in the following table:

**Table 4 – Authorised Limit for External Debt**

<b>PI 3 - Authorised limit for external debt.</b>				
These limits apply to the total external debt gross of investments and separately identify borrowing from other long term liabilities such as finance leases including Private Finance Initiatives (PFI). This is a self determined level reviewed and set each budget setting cycle.				
	2022-2023	As at 22 February 2023		
	Limit	2023-2024	2024-2025	2025-2026
	£000	Limit	Limit	Limit
	£000	£000	£000	£000
Borrowing	1,080,693	1,137,035	1,284,348	1,336,593
Other Long Term Liabilities	82,628	75,960	76,416	72,939
<b>Total Authorised Limit</b>	<b>1,163,321</b>	<b>1,212,995</b>	<b>1,360,764</b>	<b>1,409,532</b>
Forecast External Debt as at 22 February 2023:				
Borrowing	802,323	954,041	1,063,728	1,103,611
Other Long Term Liabilities	76,928	73,960	74,416	70,939
	879,251	1,028,001	1,138,144	1,174,550
Variance (Under) / Over Authorised limit	(284,070)	(184,994)	(222,620)	(234,982)
<b>Authorised limit for service investments included in the above figures</b>				
Authorised Limit	66,049	57,928	72,778	71,762
Forecast External Debt as at 22 February 2023:	42,361	54,678	53,678	52,662
Variance (Under) / Over Authorised limit	(23,688)	(3,250)	(19,100)	(19,100)

- 8.7 As can be seen from the table above, the forecast level of external debt is within the Authorised Limit for each year.
- 8.8 The Council has adopted a prudent approach to managing risk. In order to minimise the risk, the Council applies a minimum acceptable credit criteria as detailed in the Annual Investment Strategy.
- 9.0 Service and Commercial investments Commercial Activity**
- 9.1 The Council continues to ensure that opportunities for commercialism and shared services are considered. Investments in order to support income generation is part of the Council’s financial strategy, however as detailed in the [Treasury Management Strategy](#), non-treasury/service and commercial investments should be of benefit to the economic,

social or environmental well-being of the area served by the City of Wolverhampton Council and/or the West Midlands Combined Authority and not held primarily for yield.

- 9.2 The codes of practice issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) contains investment guidance which complements the guidance issued by the Department for Levelling Up Housing and Communities. The most recent version of this guidance released December 2021, requires local authorities to produce disclosures on financial and non-financial investments held.
- 9.3 Investments held for treasury management purposes are disclosed in the **Treasury Management Strategy**, whilst investments held for non-treasury management purposes are detailed in the following paragraphs.
- 9.4 Investments held for non-treasury management purposes include investments such as loans, shares and other non-financial investments including property investment assets. When considering service investment, consideration is given to the level of exposure to different sectors in the market and the needs of the City.
- 9.5 Whilst Wolverhampton holds a number of investments that are classed under the guidance as service investments, the Council's investments are held primarily in order to secure wider strategic objectives as detailed in **Our City, Our Plan**. This includes inclusive growth and creating neighbourhoods in which people are proud to live. Revenue income streams arising as a result of holding these investments is a secondary benefit which supports the Council's financial strategy.
- 9.6 Long-term investments held by the Council for non-treasury management purposes have been funded from borrowing and include:
- Equity investment and loans to WV Living – the Council's wholly owned housing company established in 2016;
  - YOO Recruit Ltd – the Council's wholly owned recruitment agency established in 2014 (the Council initially working capital in Yoo recruit to support cashflow which has been repaid in full);
  - Investment properties such as i9, i10 and i11
  - Equity investment in Help to Own – a new affordable housing product alongside the West Midlands Combined Authority.
- 9.7 WV Living – The Council established a Housing Company to develop affordable and desirable new homes within Wolverhampton for rent and sale after identifying a need in the City for housing. This was a targeted and careful intervention by the Council to unlock sites and ensure that the City is a place where people want to work and live. The strategic response to address the housing need generates a commercial return for the Council that will contribute to the MTFs, however as stated above, whilst beneficial in supporting the financial strategy this is the secondary objective. WV Living has a Board of Directors, who include Council and non-Council Directors, who keep the Business Plan under constant review to ensure security of funds.

- 9.8 Yoo Recruit – The Council established a recruitment agency to help get local people into temporary council jobs. The Council is the sole shareholder of the company and benefits from any profits that the company makes, however the primary reason for establishing this company was to ensure that the City is a place where people want to work and live.
- 9.9 Investment properties - The Council owns and has invested in a number of investment/commercial properties such as the i10 office block and retail facility, which was successfully opened in early 2016 attracting big name tenants such as Greene King and Tarmac. The i9 building which was completed in 2021 is now substantially let and includes the Department for Levelling Up, Housing and Communities. i9 is the first government department headquarters outside of London and will include ministerial presence. Investment in these assets encourages regeneration and inward investment into the City's local economy.
- 9.10 An advanced programme of lease renewals and rent reviews on investment properties is underway to maximise the income to the Council from the commercial portfolio. In addition to maximising annual rental income, this also ensures that income is secured, by locking tenants into current leases at market level rent rates.
- 9.11 All investment properties are considered as part of the Council's Asset Management Policy. The reasons for holding assets will vary and, as a result, we may need to measure their performance in different ways. Performance of each asset must therefore be linked to the strategic purpose for holding it. The Asset Challenge process means that we are reviewing each asset on a rolling programme to ensure we only keep the buildings we need in the future. This process explores the utilisation of assets, along with analysis of running and maintenance costs, and geographical location. The outcome of this process will identify asset rationalisation and disposal opportunities to support our Medium Term Financial Strategy.
- 9.12 Help to Own – The Council entered into an equity investment alongside the West Midlands Combined Authority in 2021 for a new affordable housing product called 'Help to Own'. This scheme is for anyone who is struggling to get onto the property ladder and enables individuals to enter into a tenancy agreement to rent a home for 20 years with the option for a further tenancy of 5 years and to purchase the home outright along the way. This was a targeted and careful intervention by the Council to unlock sites and ensure that the City is a place where people want to work and live.
- 9.13 All new service ideas/investment will follow the project establishment and approval process as detailed above. If the service investment proposal is successful, performance will be monitored on an ongoing basis following investment approval, against the agreed business plan by the relevant boards. The investment/project plan will have clearly identified performance targets which will be the baseline for decisions as to whether the investment is successful and whether it should be ceased, continued or expanded. Any significant under performance will be escalated to the relevant Director.
- 9.14 In addition to this, the Director of Finance will receive quarterly updates on each investment asset which will highlight project progress and levels of income received. If

there is a significant variance from the approved business case then the Director of Finance can request that an update on the business case be presented to Project Assurance Group or Strategic Executive Board. Any deviation from the original business case which requires any additional resources will be assessed following the 'Project establishment and approval' process as detailed in Section 5 above.

- 9.15 All of the Council's property, plant and equipment assets are valued at current value, and those assets with a current net book value in excess of £1.0 million are valued annually; the most recent valuation was undertaken on 31 March 2022. A rolling programme ensures that the remaining assets are revalued at least every five years. The valuations were carried out by external valuers. The housing stock valuation was carried out by Jones Lang Lasalle while the other valuations were carried out by Wilkes Head and Eve, registered RICS valuers. This ensures security of capital investment.
- 9.16 In the event that the fair value of the investment is no longer sufficient to provide security against the loss the Strategic Executive Board will need to consider whether the investment is enabling wider strategic objectives.
- 9.17 The following table details the projected level of net service and commercial investment over the medium term period:

**Table 5 – Forecast Service and Commercial Investment**

	As at 22 February 2023			
	2022-2023 Forecast £000	2023-2024 Forecast £000	2024-2025 Forecast £000	2025-2026 Forecast £000
Service investments	67	13,000	11,900	3,000
Commercial investments	-	-	-	-
	67	13,000	11,900	3,000

- 9.18 The following indicators are used to assess the Council's total risk exposure as a result of service and commercial investment decisions, as detailed below:

**Indicator 1 – Forecast Net Debt for Service and Commercial Investment to Net Service Expenditure Ratio**

	2022-2023 £000	2023-2024 £000	2024-2025 £000	2025-2026 £000
Net Debt for Service and Commercial Investment	32,474	44,792	42,692	32,776
Net Service Expenditure	267,159	306,414	316,409	315,580
<b>Debt to NSE Ratio</b>	<b>12.2%</b>	<b>14.6%</b>	<b>13.5%</b>	<b>10.4%</b>

The indicator above measures the forecast level of net debt for service and commercial investments in comparison to the Council's forecast net service expenditure, where net service expenditure is a proxy for the size and financial strength of a local authority. The forecast level of cumulative net debt for service and commercial investments is projected

to be less than 15% of the Council's forecast net revenue budget in each year, which is a reduction on the 2022/23 projection of 20%.

**Indicator 2 – Forecast Service and Commercial Income to Net Service Expenditure Ratio**

	2022-2023 £000	2023-2024 £000	2024-2025 £000	2025-2026 £000
Forecast Service and Commercial Investment Income	1,647	1,573	1,666	1,666
Net Service Expenditure	267,159	306,414	316,409	315,580
<b>Commercial Income to NSE Ratio</b>	<b>0.6%</b>	<b>0.5%</b>	<b>0.5%</b>	<b>0.5%</b>

The indicator above measures the forecast level of service and commercial investment income in comparison to the Council's forecast net service expenditure, where net service expenditure is a proxy for the size and financial strength of a local authority. The forecast level of service and commercial investment income when compared to the Council's forecast net service expenditure is marginal, and therefore indicates that the Council's financial resilience is not heavily reliant on service and commercial investment income.

**Indicator 3 – Forecast Loan to Value Ratio**

	2022-2023	2023-2024	2024-2025	2025-2026
<b>Loan to Value Ratio</b>	0.67	0.73	0.71	0.64

The indicator above measures the forecast net debt for service and commercial investments compared to the forecast total asset value. The decrease in the forecast loan to value ratio over the medium term indicates the reducing level of borrowing due to repayments.

**10.0 Other long term liabilities**

10.1 Liabilities and investments including PFI contracts and soft loans are assessed as part of each year's balance sheet review to ensure that information is up-to date.

**11.0 Knowledge and skills**

11.1 The Council recognises the importance of ensuring that all staff involved in the development and delivery of capital projects, including programme/service managers, accountants, solicitors and surveyors, are fully equipped to undertake the duties and responsibilities allocated to them. The Council seeks to appoint individuals who are both capable and experienced and will provide training for staff to enable them to acquire and maintain an appropriate level of expertise, knowledge and skills.

11.2 In addition to this, the Council ensures that Councillors tasked with capital investment and treasury management responsibilities, including those responsible for scrutiny, have

access to training relevant to their needs and those responsibilities. Those charged with governance recognise their individual responsibility to ensure that they have the necessary skills to complete their role effectively.

- 11.3 The Council also procures external professional advice where necessary to support the due diligence of capital projects including treasury management advice, financial advice and risk and assurance advice.

**12.0 Corporate Strategies**

- 12.1 Our City, Our Plan
- 12.2 Vision 2030
- 12.3 Strategic Asset Management Plan
- 12.4 Medium Term Financial Strategy
- 12.5 Housing Revenue Account Business Plan
- 12.6 Treasury Management Strategy
- 12.7 Financial Procedure Rules
- 12.8 Council Constitution
- 12.9 Housing Strategy
- 12.10 City of Wolverhampton Education Place Planning 2020-2022 Strategy
- 12.11 Vision for Public Health for the City of Wolverhampton by 2030
- 12.12 Future Generations: Our Climate Commitment
- 12.13 Youth Engagement Strategy
- 12.14 Relighting Our City Agenda