

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 also provides a framework by which investment decisions will be made, an overview of risk management, the implications for future financial sustainability and the governance processes for approval and monitoring of capital expenditure in line with requirements under the Prudential Code for Capital Finance in Local Authorities.
- 1.3 The Capital Strategy has direct links to other Council strategies and plans such as the Treasury Management Strategy, Commercial 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 the Council's Corporate 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 City of Wolverhampton Council's Capital Strategy is underpinned by **Our Council Plan 2019-2024** and the **Vision 2030** with significant focus on working together to be a city of opportunity; focussed on the following strategic outcomes:
- Children and young people get the best possible start in life
 - Well skilled people working in an inclusive economy
 - More good jobs and investment in our city
 - Better homes for all
 - Strong, resilient and healthy communities
 - A vibrant, green city we can all be proud of.
- 2.2 The City of Wolverhampton is an ambitious city with big plans and is one of the fastest growing areas in the UK for economic growth.
- 2.3 Like many other councils, the City of Wolverhampton Council has experienced significant funding reductions 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 2023-2024 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 nightlife 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.
- 2.7 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. The Core principles and workstreams 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.

Core Workstreams:

- **Promoting Digital Innovation** - Improve access to digital services to empower local people to self-serve at a time and place that suits them whilst reducing 'traditional' operating costs.
- **Reducing demand** - Through early intervention and closer collaboration with local people we aim to reduce demand for services and support greater independence and resilience.
- **Targeted Service Delivery** - Our efforts will be focused in the areas and places that need us the most and where we can deliver the best possible outcomes within the resources available.
- **Sustainable Business Models** - We will develop the most efficient and effective services possible, within the significant financial constraints we face, to meet the needs of local people.
- **Prioritising Capital Investment** - Aligned to our strategic plan, investment will focus on the priorities that deliver the best possible return and outcomes for local people.
- **Generating Income** - Better understanding the markets we operate in will enable us to develop new, innovative income generation opportunities with partners where appropriate
- **Delivering Efficiencies** - By reviewing our resources, business processes and better using technology, we will deliver services which meet customer needs efficiently and cost-effectively
- **Maximising Partnerships and External Income** - We will take a much more strategic role, working with our partners, to identify opportunities to collaborate, share resources, reduce costs and seize funding opportunities

- 2.8 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.
- 2.9 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. The establishment of the Council's wholly owned housing company, WV Living, also enables the objectives of this strategy
- 2.10 In order to support communities and people in the City, the [Vision for School Organisation in The City of Wolverhampton 2018-2020](#) 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.

- 2.11 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.
- 2.12 In July 2019, the Council declared a 'Climate Emergency', noting the impact of climate change around the world. The Council's Climate Change Strategy, **Future Generations: Our Climate Commitment**, 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 recently launched a new strategy designed to help children and young people in Wolverhampton reach their full potential. The **Youth Engagement Strategy**, #YES, has been developed following extensive feedback from nearly 12,000 children and young people across the City, and will support eight to 18 year olds, and those up to 25 with special educational needs.

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. Like many other councils, the City of Wolverhampton Council has experienced significant funding reductions, so we need to make careful choices in where we prioritise the money we spend.
- 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 Black Country Local Enterprise Partnership and 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 Directorate representatives, legal, finance, asset management and commercial, 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 Council Plan 2019-2024**, prior to being submitted to the next stage of the process.
- 5.3 Upon PAG endorsement, all capital projects then progress to Leadership Team or Strategic Executive Board (SEB) for review. SEB, including the Council's Director of Finance, strategically review project business cases to ensure that the project will be delivered in accordance with Our Council Plan priorities and is affordable. Capital projects will be assessed and prioritised based on:
- Our Council Plan priorities including delivering more good jobs and investment in our city and a vibrant, green city of which we can all be proud;
 - 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 and will also be provided to PAG, enabling governance and challenge. In addition to this, a new Capital Projects Member Reference Group has also been established to further enhance project governance and challenge.

6.0 Governance

- 6.1 The City of Wolverhampton Council's Full Council make decisions on a variety of issues, primarily linked with the budgetary and policy framework. Full Council will provide overall direction and approve 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 overall 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 The Council's Our Council Scrutiny Panel oversee and scrutinise the capital programme and treasury management programmes.

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 £830 million in the City over the next six years together with the funding to support that investment.
- 7.2 The recent Budget Statement announcement of the removal of the HRA Borrowing Cap provides real opportunities for the Council 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 2019-2020 to 2024-2025

General Revenue Account capital programme	2019 - 2020	2020 - 2021	2021 - 2022	2022 - 2023	2023 - 2024	2024 - 2025	Total
	£000	£000	£000	£000	£000	£000	£000
General capital programme							
Projected Budget	111,998	171,530	56,549	15,474	12,800	-	368,351
Projected Financing							
Internal resources	75,261	122,657	43,176	15,474	12,800	-	269,368
External resources	36,737	48,873	13,373	-	-	-	98,983
Projected Financing	111,998	171,530	56,549	15,474	12,800	-	368,351
Housing Revenue Account							
Projected Budget	63,596	79,708	82,828	83,790	83,640	68,690	462,252
Projected Financing							
Internal resources	62,887	79,708	82,828	83,790	83,640	68,690	461,543
External resources	709	-	-	-	-	-	709
Projected Financing	63,596	79,708	82,828	83,790	83,640	68,690	462,252

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). Work is well underway on the new railway station with completion expected in 2020.
- **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 £32 million.
- **City Learning Quarter** - this is a key corporate priority project that will provide a new learning campus within the City Centre. The scheme is currently forecast as a £50.0 million capital project.
- **Civic Halls** – a £38 million 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.

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

Table 2 - Projected capital financing 2019-2020 to 2024-2025

General Revenue Account capital programme	2019-2020 to 2024-2025	
	Recommended budget £000	Resource as % of expenditure
Expenditure	368,351	
Financing		
Internal resources		
Capital receipts	113,165	30.7%
Prudential borrowing	154,279	41.9%
Revenue contributions	1,924	0.5%
Reserves	-	0.0%
Subtotal	269,368	73.1%
External resources		
Grants & contributions	98,983	26.9%
Subtotal	98,983	26.9%
Total	368,351	100.0%

2019-2020 to 2024-2025		
Housing Revenue Account capital programme	Recommended budget £000	Resource as % of expenditure
Expenditure	462,252	
Financing		
Internal resources		
Capital receipts	43,378	9.4%
Prudential borrowing	288,267	62.4%
Revenue contributions	18,865	4.0%
Reserves	111,033	24.0%
Subtotal	461,543	99.8%
External resources		
Grants & contributions	709	0.2%
Subtotal	709	0.2%
Total	462,252	100.0%

7.6 Capital receipts totalling £113.2 million have been assumed within the General 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** 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

PI 2 - Estimates and actual capital financing requirement General and HRA.				
The capital financing requirement measures the authority's underlying need to borrow for a capital purpose.				
	As at 19 February 2020			
	2019-2020	2020-2021	2021-2022	2022-2023
	Forecast	Forecast	Forecast	Forecast
	£000	£000	£000	£000
General *	679,931	740,334	730,838	710,618
HRA	263,734	297,250	335,264	376,117
Total capital financing requirement	943,665	1,037,584	1,066,102	1,086,735
* Commercial activities / non-financial investments included in General figure. These relate to areas such as capital expenditure on investment properties and loans to third parties etc.	18,712	26,399	15,078	14,670
Movement in capital financing requirement represented by:				
New borrowing for capital expenditure	91,720	127,037	65,759	63,075
Less minimum revenue provision/voluntary minimum revenue provision	(41,441)	(33,118)	(37,241)	(42,442)
Movement in capital financing requirement	50,279	93,919	28,518	20,633

- 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

PI 3 - Authorised limit for external debt.				
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).				
	As at 19 February 2020			
	2019-2020 Limit £000	2020-2021 Limit £000	2021-2022 Limit £000	2022-2023 Limit £000
Borrowing	1,054,931	1,049,311	1,100,137	1,162,140
Other Long Term Liabilities	86,553	87,249	84,637	81,939
Total Authorised Limit *	1,141,484	1,136,560	1,184,774	1,244,079
Actual and Forecast External Debt as at 19 February 2020	896,876	1,032,794	1,063,389	1,084,023
Variance (Under) / Over Authorised limit	(244,608)	(103,766)	(121,385)	(160,056)
* Commercial activities / non-financial investments included within this figure.	40,438	45,893	43,867	43,867

- 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 Commercial Activity**
- 9.1 The Council continues to ensure that opportunities for commercialism and shared services are constantly considered. Investments in order to support income generation is becoming an increasingly important aspect of the Council's financial strategy. As detailed in the [Treasury Management Strategy](#), non-treasury/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.
- 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 Ministry of Housing, Communities and Local Government. The most recent version of this guidance, effective from 1 April 2018, 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 commercial 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 commercial investments, those held partially or primarily to generate a profit, the Council's investments are held primarily in order to secure wider strategic objectives as detailed in [Our Council 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;
 - Investment properties such as i10 and i11.
- 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 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 and retail facility, which was successfully opened in early 2016 attracting big name tenants such as Greene King and Tarmac. Construction work on the £13 million i9 office building commenced in December 2019 and it is expected to create approximately 300 jobs. Investment in these assets encourages regeneration and inward investment into the City's local economy.
- 9.10 An advanced programme of commercial 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 All new commercial ideas/investment will follow the project establishment and approval process as detailed above. If the commercial 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.
- 9.13 In addition to this, the Director of Finance will receive quarterly updates on each investment asset which will highlight project progress and levels of commercial income received. In the event that further clarity is required, the Director of Finance will request that an update on the business case be presented to Project Assurance Group. 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.
- 9.14 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 2019. 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 the Valuation Office Agency while the other valuations were carried out by Bruton Knowles, registered RICS valuers. This ensures security of capital investment.
- 9.15 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.
- 9.16 The following table details the projected level of net commercial investment over the medium term period:

Table 5 – Forecast Commercial Investment

	As at 19 February 2020			
	2019-2020	2020-2021	2021-2022	2022-2023
	Forecast	Forecast	Forecast	Forecast
	£000	£000	£000	£000
Commercial activities / non-financial investments	25,662	27,257	10,000	10,000

- 9.17 The Guidance encourages local authorities to develop qualitative indicators that allow the reader to assess the Council's total risk exposure as a result of commercial investment decisions, as detailed below:

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

	2019-2020 £000	2020-2021 £000	2021-2022 £000	2022-2023 £000	2023-2024 £000
Net Debt for Commercial Investment	35,076	42,343	30,585	29,722	28,822
Net Service Expenditure	234,934	248,241	246,257	253,168	260,436
Debt to NSE Ratio	14.9%	17.1%	12.4%	11.7%	11.1%

The indicator above measures the forecast level of net debt for 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 commercial investments is projected to be less than 20% of the Council's forecast net revenue budget in each year.

Indicator 2 – Forecast Commercial Income to Net Service Expenditure Ratio

	2019-2020 £000	2020-2021 £000	2021-2022 £000	2022-2023 £000	2023-2024 £000
Forecast Commercial Income	2,259	3,134	1,575	2,371	2,371
Net Service Expenditure	234,934	248,241	246,257	253,168	260,436
Commercial Income to NSE Ratio	1.0%	1.3%	0.6%	0.9%	0.9%

The indicator above measures the forecast level of commercial 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 commercial 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 commercial income.

Indicator 3 – Forecast Loan to Value Ratio

	2019-2020	2020-2021	2021-2022	2022-2023	2023-2024
Loan to Value Ratio	0.97	0.96	0.91	0.89	0.86

The indicator above measures the forecast net debt for 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 Council 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 Vision for School Organisation in The City of Wolverhampton 2018-2020
- 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

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