

## 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 first approved by 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
- Wolverhampton Pound

- 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 2027-2028 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.
- 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. The Strategic Asset Plan is in the process of being reviewed and refreshed during 2024, and a new Plan will be implemented by December 2024.
- 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 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.
- 2.10 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.
- 2.11 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 public sector partners, such the West Midlands Combined Authority and Government Departments;
- 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;
  - Compatibility with Council strategies;
  - 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.

## **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 five 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 2023-2024 to 2028-2029**

General Revenue Account capital programme	2023 - 2024	2024 - 2025	2025 - 2026	2026 - 2027	2027 - 2028	2028 - 2029	Total
	£000	£000	£000	£000	£000	£000	£000
General Fund capital programme							
<b>Projected Budget</b>	<b>85,901</b>	<b>155,284</b>	<b>98,655</b>	<b>27,843</b>	<b>6,000</b>	<b>-</b>	<b>373,683</b>
<b>Projected Financing</b>							
Internal resources	36,649	58,434	58,807	15,102	6,000	-	174,992
External resources	49,252	96,850	39,848	12,741	-	-	198,691
<b>Projected Financing</b>	<b>85,901</b>	<b>155,284</b>	<b>98,655</b>	<b>27,843</b>	<b>6,000</b>	<b>-</b>	<b>373,683</b>
Housing Revenue Account							
<b>Projected Budget</b>	<b>118,691</b>	<b>142,060</b>	<b>128,959</b>	<b>103,920</b>	<b>86,273</b>	<b>63,282</b>	<b>643,185</b>
<b>Projected Financing</b>							
Internal resources	115,016	142,060	128,959	103,920	86,273	63,282	639,510
External resources	3,675	-	-	-	-	-	3,675
<b>Projected Financing</b>	<b>118,691</b>	<b>142,060</b>	<b>128,959</b>	<b>103,920</b>	<b>86,273</b>	<b>63,282</b>	<b>643,185</b>

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



Table 2 - Projected capital financing 2023-2024 to 2028-2029

<b>2023-2024 to 2028-2029</b>		
<b>General Fund capital programme</b>	<b>Recommended budget £000</b>	<b>Resource as % of expenditure</b>
<b>Expenditure</b>	<b>373,683</b>	
<b>Financing</b>		
Internal resources		
Capital receipts	51,541	13.8%
Prudential borrowing	122,397	32.8%
Revenue contributions	1,054	0.3%
Reserves	-	0.0%
<b>Subtotal</b>	<b>174,992</b>	<b>46.9%</b>
External resources		
Grants & contributions	198,691	53.1%
<b>Subtotal</b>	<b>198,691</b>	<b>53.1%</b>
<b>Total</b>	<b>373,683</b>	<b>100.0%</b>
<b>2023-2024 to 2028-2029</b>		
<b>Housing Revenue Account capital programme</b>	<b>Recommended budget £000</b>	<b>Resource as % of expenditure</b>
<b>Expenditure</b>	<b>643,185</b>	
<b>Financing</b>		
Internal resources		
Capital receipts	35,637	5.5%
Prudential borrowing	458,953	71.3%
Revenue contributions	2,289	0.4%
Reserves	142,631	22.2%
<b>Subtotal</b>	<b>639,510</b>	<b>99.4%</b>
External resources		
Grants & contributions	3,675	0.6%
<b>Subtotal</b>	<b>3,675</b>	<b>0.6%</b>
<b>Total</b>	<b>643,185</b>	<b>100.0%</b>

- 7.5 Capital receipts totalling £51.5 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.				
	<b>As at 21 February 2024</b>			
	<b>2023-2024</b>	<b>2024-2025</b>	<b>2025-2026</b>	<b>2026-2027</b>
	<b>Forecast</b>	<b>Forecast</b>	<b>Forecast</b>	<b>Forecast</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
General Fund *	672,037	703,861	719,479	700,699
HRA	371,451	471,372	560,116	623,860
<b>Total capital financing requirement</b>	<b>1,043,488</b>	<b>1,175,233</b>	<b>1,279,595</b>	<b>1,324,559</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.	34,436	38,086	38,163	39,304
<b>Movement in capital financing requirement represented by:</b>				
New borrowing for capital expenditure	109,818	169,950	141,883	82,672
Less minimum revenue provision/voluntary minimum revenue provision	(35,925)	(38,205)	(37,521)	(37,708)
<b>Movement in capital financing requirement</b>	<b>73,893</b>	<b>131,745</b>	<b>104,362</b>	<b>44,964</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.				
	<b>As at 21 February 2024</b>			
	<b>2023-2024</b>	<b>2024-2025</b>	<b>2025-2026</b>	<b>2026-2027</b>
	<b>Limit</b>	<b>Limit</b>	<b>Limit</b>	<b>Limit</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Borrowing	1,137,035	1,184,887	1,324,196	1,400,635
Other Long Term Liabilities	75,960	76,416	72,939	69,309
<b>Total Authorised Limit</b>	<b>1,212,995</b>	<b>1,261,303</b>	<b>1,397,135</b>	<b>1,469,944</b>
Forecast External Debt as at 21 February 2024:				
Borrowing	820,109	967,398	1,078,236	1,136,830
Other Long Term Liabilities	73,960	74,416	70,939	67,309
	894,069	1,041,814	1,149,175	1,204,139
Variance (Under) / Over Authorised limit	(318,926)	(219,489)	(247,960)	(265,805)
<b>Authorised limit for service investments included in the above figures</b>				
Authorised Limit	57,928	49,064	48,281	49,702
Forecast External Debt as at 21 February 2024:	44,319	47,968	48,046	49,187
Variance (Under) / Over Authorised limit	(13,609)	(1,096)	(235)	(515)

- 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, the Council does not make investments purely for the purpose of providing a yield.
- 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 an affordable housing product called 'Help to Own'. This scheme, now fully subscribed, aimed to help anyone who was struggling to get onto the property ladder and enabled 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 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 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 2023. 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.
- 9.15 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 service and commercial investment over the medium term period:

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

<b>NTM 1 - Estimates and actual non-treasury management investment expenditure.</b>				
This identifies the level of any non-treasury management investments ( e.g. service and commercial investments).				
	<b>As at 21 February 2024</b>			
	<b>2023-2024</b>	<b>2024-2025</b>	<b>2025-2026</b>	<b>2026-2027</b>
	<b>Forecast</b>	<b>Forecast</b>	<b>Forecast</b>	<b>Forecast</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Service investments	2,609	6,344	6,940	9,000
Commercial investments	-	-	-	-
	2,609	6,344	6,940	9,000

- 9.17 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**

	<b>2023-2024</b>	<b>2024-2025</b>	<b>2025-2026</b>	<b>2026-2027</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Net Debt for Service and Commercial Investment	34,436	38,086	38,163	39,304
Net Service Expenditure	306,414	332,024	338,041	348,354
<b>Debt to NSE Ratio</b>	<b>11.2%</b>	<b>11.5%</b>	<b>11.3%</b>	<b>11.3%</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 12% of the Council's forecast net revenue budget in each year.

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

	2023-2024 £000	2024-2025 £000	2025-2026 £000	2026-2027 £000
Forecast Service and Commercial Investment Income	1,685	3,191	4,105	4,659
Net Service Expenditure	306,414	332,024	338,041	348,354
<b>Commercial Income to NSE Ratio</b>	<b>0.6%</b>	<b>1.0%</b>	<b>1.2%</b>	<b>1.3%</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**

	2023-2024	2024-2025	2025-2026	2026-2027
<b>Loan to Value Ratio</b>	0.60	0.62	0.61	0.61

The indicator above measures the forecast net debt for service and commercial investments compared to the forecast total asset value. The stable forecast loan to value ratio over the medium term indicates a steady level of borrowing, with no major increase, due to new loans, or decrease resulting from 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 Vision for Public Health for the City of Wolverhampton by 2030
- 12.11 Future Generations: Our Climate Commitment
- 12.12 Youth Engagement Strategy