

Meeting of the Council – 26th February, 2024

Report of the Cabinet

Capital Programme Monitoring

Purpose of Report

1. To report progress with the implementation of the Capital Programme.
2. To propose amendments to the Capital Programme.
3. To propose the “Prudential Indicators” as required to be determined by the CIPFA Prudential Code for Capital Finance in Local Authorities and the Local Government Act 2003 (updated December 2021).
4. To propose the Council’s updated Capital Strategy.
5. To propose the Council’s Minimum Revenue Provision (MRP) Policy for 2024/25.

Recommendations

6. The Council is recommended:
 - That progress with the 2023/24 Capital Programme, as set out in Appendix A be noted.
 - That the additions and amendments to the Capital Programme be approved, as set out in paragraphs 10 -21,
 - That the Prudential Indicators as required to be determined by the Chartered Institute of Public Finance and Accountancy (CIPFA) Prudential Code for Capital Finance in Local Authorities and the Local Government Act 2003, as set out in Appendix B, be agreed.
 - That the updated Capital Strategy set out in Appendix C be approved.

- That the Minimum Revenue Provision (MRP) Policy for 2024/25 be approved as set out in paragraph 25.

Background

7. The table below summarises the *current* 3 year Capital Programme updated where appropriate to reflect latest scheme spending profiles.

	2023/24	2024/25	2025/26
	£'000	£'000	£'000
Public Sector Housing	65,158	50,816	44,114
Private Sector Housing	14,536	4,806	71
Environment	5,492	9,891	5,500
Transport	13,433	11,853	8,896
Regeneration and Corporate Landlord	19,814	22,688	12,709
Culture, Leisure & Bereavement	1,542	2,499	3,300
Schools and SEND	12,271	20,472	19,600
Social Care, Health and Well Being	702	1,850	0
Digital, Commercial and Customer Services	2,135	1,100	1,161
Total spend	135,083	125,975	95,351
Revenue	4,003	3,936	3,702
Major Repairs Reserve (Housing)	25,517	26,000	26,456
Capital receipts	24,193	17,344	21,610
Grants and contributions	41,081	26,580	17,448
Capital Financing Requirement	40,289	52,115	26,135
Total funding	135,083	125,975	95,351

Note that the capital programme is subject to the availability of government funding.

8. Details of progress with the 2023/24 Programme are given in Appendix A. It is proposed that the current position be noted.
9. A report was taken to the Cabinet in December, 2023 to review Housing Finance for the current and future years. This was taken to the Housing and Safer Communities Select Committee in January, 2024. The Public Sector Housing figures above have not been adjusted for these changes as these have not yet been approved at a Council meeting. The figures in the capital strategy (Appendix C) are updated for the latest forecasts to ensure the Prudential indicators are correct.

Amendments to the Capital Programme

10. Private Sector Housing

The Capital Programme currently includes a budget of £5.050m for houses built for sale (funded by capital receipts). This is split between £1.050m for Himley Road (original budget approved in March 2021 and budget revision approved in December 2021) and £4m for Brierley Hill (first taken to Cabinet in March 2021). Due to capacity issues within the Housing directorate it is proposed that these two schemes are removed from the Capital Programme. Work already completed at Himley Road will be transferred to the Public Sector Housing capital programme (and the houses built will all become Council dwellings) and this spend is included within the budget proposals taken to Cabinet in December 2023.

It is proposed that these two projects (and their associated capital receipts) are removed from the Capital Programme.

11. Regeneration – Future High Streets Fund

We have received approval from the Department for Levelling Up, Housing and Communities (DLUHC) to remove the Daniels Land redevelopment project from the Future High Streets Fund Programme. This is because of delays with delivery of the Midlands Metro that have affected the redevelopment timescale. The project was originally to be delivered by the Housing and Communities Directorate through the Housing Revenue Account. The result is DLUHC has agreed to reallocate £3.55m of grant spend from this project to a schedule of replacement projects within and adjacent to Brierley Hill High Street.

It is proposed that the additional £3.55m Future High Streets grant and associated expenditure is added to the Capital Programme. (The removal of this grant from the Public Sector Housing section of the Capital Programme has been addressed in a previous Cabinet meeting where a separate paper regarding Housing Finance was discussed).

12. Woodside Day Centre

Works to refurbish this centre were originally proposed to the Cabinet in October 2022 and a budget of £60,000 was reallocated to this project. Further capital works have been identified costing £74,000 which were originally to be funded as revenue but better suit the classification of capital. The additional work makes the site more inclusive and welcoming for people with disabilities. Note that this spend was agreed prior to the spending controls and this is just a reclassification between capital and revenue rather than additional spend.

It is proposed that £74,000 is transferred from the Adult Personal Social Services Capital budget (which currently has a budget of £391,000 brought forward from previous years) to fund this additional spend.

13. Parks Development

The Parks Development Team have been awarded £5,000 to fund chess tables and accompanying seats or benches at two local Parks, and these will be installed at Stevens Park Quarry Bank and Abbey Street Park. The facility at Abbey Street is in partnership with the friends of the Park and the local library. The funding is part of the Department for Levelling Up, Housing and Communities (DLUHC) under the Levelling up for Parks Fund and each site will receive £2,500 to provide the facility.

It is proposed that £5,000 is added to the Capital Programme for this project to be fully funded by a grant from DLUHC.

14. Basic Need Grant

In recent years the Department for Education has allocated £6.855m Basic Need Capital Funding to Dudley taking the overall allocation to £12.531m. This funding is to support local authorities to ensure sufficient school places are available within the borough for every child aged 5 to 16 needing one as set out in the 1996 Education Act. While this funding is primarily to assist local authorities to deliver new places, the funding is un-ringfenced and it is for the Local Authority to determine how best to use the funding for local priorities. We have recently received confirmation that this funding is not ringfenced and therefore the Council's contribution to Coseley free school can now be funded from this grant rather than prudential borrowing as previously approved by Council.

It is proposed that the Basic Need grant and its associated expenditure are added to the Capital Programme. It is also proposed that Dudley's contribution to the Coseley free school is now funded from this grant rather than prudential borrowing.

15. Childcare Capital Expansion Funding

In addition, in 2023/24 the Department for Education has allocated £444,000 childcare capital expansion funding to the Council. This funding is intended to support local authorities in delivering the expansion of the 30 hours early years entitlement for working families and of wraparound provision in primary schools. The funding is un-ringfenced and it is for local authorities to determine how best to use the funding to meet local priorities.

It is proposed that this grant of £444,000 and its associated expenditure are added to the Capital Programme.

16. Environment – Forestry Commission funding

We are due to receive £43,887.60 from the Forestry Commission relating to the Local Authority Treescapes Fund; which is a grant to support tree planting. There is a further revenue grant for the maintenance costs which will be paid from 2024/25 to 2026/27 for approximately £69,000 per annum.

It is proposed that the £44,000 capital grant allocation for 2023/24 and the associated spend is added to the Capital Programme.

17. Environment – Trading Standards Vehicle

The Trading Standards team requires a crew cab vehicle for safe and secure removal of goods from rogue traders. The vehicle is expected to cost £24,000 which will be procured through fleet.

It is proposed that the £24,000 is added to the Capital Programme and will be fully funded from a revenue contribution from proceeds of crime income.

18. Gornal Wood Crematorium

In March 2023 Council approved a budget of £500,000 for refurbishment works at Gornal Wood Crematorium. A further assessment at the site has led to additional works identified that need to be undertaken (namely electrical and drainage works with a value of £600,000) to ensure this site is fit for purpose and to maintain the level of income generated by this

facility. There is currently a £3.9m budget within Culture, Leisure and Bereavement for burial land and it is proposed that £600,000 is transferred from this budget across to the Gornal Wood Crematorium refurbishment budget. Officers will endeavour to identify and layout new burial land with the reduced £3.3m budget. If this cannot be achieved, priority will be given to developing new sites in priority order.

It is proposed that £600,000 is transferred between the budget headings outlined above within the Culture, Leisure and Bereavement Capital Programme.

19. Food Waste Collections

The Council has recently been notified that we will be receiving £2,679,480 transitional capital funding to fund the delivery of weekly food waste collections to commence 01/04/2026. This funding is intended for the purchase of food bins (this includes internal kitchen caddies, external kerbside caddies and communal bins) and food waste collection vehicles. This funding will be provided through Section 31 grants.

It is proposed that this grant and its associated expenditure is added to the Capital Programme.

20. Dudley Town Centre

At a Cabinet meeting in June 2023 a £250,000 capital budget was recommended (and subsequently approved by Council) for improvements to Dudley Market. This was due to be funded by Regeneration and Enterprise revenue budgets. The cost for reconfiguring the market stalls can now be funded by the UK Shared Prosperity Fund. The work is expected to cost approximately £40,000 and will commence once planning permission has been granted. The planned work is aimed at making the market more appealing to customers and traders and will include a food offer and associated seating area.

It is proposed that the change in funding and reduced budget is reflected in the Capital Programme.

21. Changing Places

Dudley was awarded £150,000 of Changing Places round 1 grant funding in summer 2022 for facilities to be installed at the Black Country Living Museum, Dudley Zoo and Cornbow shopping centre. A further £70,000 for round 2 for Stourbridge Town Hall was awarded in early 2023. Following tenders for the work at Stourbridge an additional funding request was presented to DLUHC for £51,800 and for an extension to end

June 2023 to complete the project. The additional costs are a result of the age of the building leading to a greater complexity to complete the installation works. This was agreed by DLUHC on 30th January, 2024.

It is proposed that the additional expenditure and grant is added to the Capital Programme.

The CIPFA Prudential Code for Capital Finance in Local Authorities

22. The Local Government Act 2003 introduced a system of “prudential borrowing” which allows councils to set their own borrowing limits subject to criteria of prudence, affordability, and sustainability. The CIPFA Prudential Code (updated in December 2021) sets out the indicators that authorities must use, and the factors they must consider, to demonstrate that they have fulfilled this objective.
23. Details of the various indicators required, and the proposed figures to be set in relation to each indicator are set out at Appendix B. The Code requires authorities to produce a Capital Strategy. The proposed updated Capital Strategy for the Council is set out in Appendix C.

Minimum Revenue Provision (MRP) Policy Statement

24. Before the start of each financial year each authority must agree its policy on making Minimum Revenue Provision (MRP) for repayment of non-HRA borrowing incurred to fund Capital expenditure, in respect of that financial year. (There is no requirement to make MRP in respect of HRA borrowing.)
25. It is proposed that the Council agrees the following MRP Policy for 2024/25:
 - MRP for all borrowing and credit arrangements be calculated on an annuity basis over the initial estimated life of the relevant assets. (*This is unchanged from the 2023/24 Policy. It is how a standard repayment mortgage operates, with less principal repaid in the early years so that the total of interest and principal repaid each year remains constant over the mortgage period.*)

Finance

26. This report is financial in nature and information about the individual proposals is contained within the body of the report.

Law

27. The Council's budgeting process is governed by the Local Government Act 1972, the Local Government Planning and Land Act 1980, the Local Government Finance Act 1988, the Local Government and Housing Act 1989, and the Local Government Act 2003.

Risk Management

28. Risks, and their management, are considered prior to proposals being brought forward to include projects in the Capital Programme. This includes risks relating to the capital expenditure itself, funding of that expenditure (e.g. grant availability and conditions), and ongoing revenue costs and/or income.

Equality Impact

29. These proposals comply with the Council's policy on Equality and Diversity.
30. With regard to Children and Young People:
- The Capital Programme for Schools will be spent wholly on improving services for children and young people. Other elements of the Capital Programme will also have a significant impact on this group.
 - Consultation is undertaken with children and young people, if appropriate, when developing individual capital projects within the Programme.
 - There has been no direct involvement of children and young people in developing the proposals in this report.

Human Resources/Organisational Development

31. The proposals in this report do not have any direct Human Resources / Organisational Development implications.

Commercial / Procurement

32. All procurement activity will be carried out in accordance with the Council's Contract Standing Orders, and the relevant officers will take the procurements through the Procurement Management Group to monitor compliance at the relevant Gateways.

Environment / Climate Change

33. Individual capital projects should be separately assessed for their environmental impact before they commence and major schemes with climate change impacts will include details of this in their progress reports going forward.

Council Priorities and Projects

34. Proposed capital projects are in line with the Council's capital investment priorities as set out in the approved Capital Strategy.



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Leader of the Council

2023/24 Capital Programme Progress to Date

Appendix A

Service	Budget – June 2023 £'000	Additions / Amendments £'000	Slippage £'000	Revised Budget £'000	Forecast £'000	Variance £'000	
Public Sector Housing	65,158	0	0	65,158	65,158	0	1
Private Sector Housing	18,868	-985	-3,347	14,536	14,536	0	
Environment	19,306	691	-14,505	5,492	5,565	73	2
Transport	13,216	2,258	-2,041	13,433	12,533	-900	3
Regeneration and Corporate Landlord	20,767	1,112	-2,065	19,814	19,721	-93	4
Culture, Leisure & Bereavement	5,381	60	-3,899	1,542	1,589	47	5
Schools and SEND	31,950	8,245	-27,924	12,271	12,271	0	
Social Care, Health and Well Being	907	1,645	-1,850	702	702	0	
Digital, Commercial & Customer Services	1,882	460	-207	2,135	2,135	0	
Total	177,435	13,486	-55,838	135,083	134,210	-873	

1. Public Sector Housing Capital Programme changes are being taken to the Council meeting of 26th February; for information the proposed revised budget for 2023/24 is £58m.
2. Environment - forecast overspend of £70k on the Energy From Waste project is to be funded by revenue budgets within Environment. The other overspends (Greenspaces (£2k) and Liveability (£1k)) will also be funded by revenue.
3. Transport – Primrose Bridge Underspend (£900k), the Council is working with the funding provider to determine whether we need to repay the grant or repurpose it towards other Transport projects.
4. Regeneration & Corporate Landlord – underspends on Low Carbon Place Strategy (£66k) and Blue Network (£27k) will result in reduced grant claims and a potential reduction in revenue contributions (work is in progress to check this).
5. The forecast overspend within Culture, Leisure and Bereavement of £47k relates to the Stourbridge Crematorium works and will be funded by additional revenue contributions.

CIPFA Prudential Indicators

The indicators set out below are specified in the CIPFA *Prudential Code for Capital Finance in Local Authorities* (“the Code”), which is required to be complied with as “proper practice” by Regulations issued consequent to the Local Government Act 2003. They are required to be set and revised through the process established for the setting and revising of the budget, i.e. by full Council following recommendation by the Cabinet. Indicators for the forthcoming and following years must be set before the beginning of the forthcoming year, but may be revised at any time following due process.

The first group of indicators (1-5) are essentially concerned with the prudence and affordability of the Council’s capital expenditure and borrowing plans in the light of resource constraints. The remaining indicator (6) is primarily concerned with day-to-day borrowing and treasury management activity. Indicator 5 is a new requirement in the revised Prudential Code which was published in December 2021.

The proposed figures for each indicator have been developed in the light of the Council’s overall resource position and medium term financial strategy and have regard to the following matters as required by the Code:

- Service Objectives;
- Stewardship of Assets;
- Value for Money;
- Prudence and Sustainability;
- Affordability;
- Practicality.

Affordability and prudence are specifically addressed by the indicators set out below. The other matters listed form a fundamental part of the Council’s budget setting, management, and monitoring procedures - as summarised in the Financial Management Regime (FMR) which forms part of the Constitution - and with particular relevance to capital expenditure, set out in more detail in the Council’s Capital Strategy.

Appropriate procedures have been established for proper management, monitoring, and reporting in respect of all the indicators, and the risks associated therewith.

Indicators set for 2023/24, 2024/25 and 2025/26 this time last year have been reviewed and where necessary are proposed to be updated to reflect latest forecasts.

1. Estimated and Actual Capital Expenditure

This indicator forms the background to all the other indicators, given that the overall rationale of the prudential system is to provide flexibility for borrowing to fund capital investment. Estimated capital expenditure is required to be calculated for the next 3 financial years, and actual expenditure stated for the previous financial year, with totals split between HRA and non-HRA capital expenditure.

Subject to the other proposals in this report being agreed, together with those contained in reports elsewhere on the agenda, the proposed indicators are as follows.

	2022/23 £m Actual	2023/24 £m Revised Estimate	2024/25 £m Revised Estimate	2025/26 £m Revised Estimate	2026/27 £m Estimate
Non - HRA	41.4	66.3	71.1	49.7	29.2
HRA	57.9	58.0	87.4	92.3	93.4
Total	99.3	124.3	158.5	142.0	122.6

2. Estimated and Actual Capital Financing Requirement (CFR)

The Capital Financing Requirement is a measure of the Council's underlying need to borrow to fund its capital expenditure once other sources of funding - grants, capital receipts and revenue - have been taken into account. The CFR increases when expenditure is incurred, and reduces when provision is made to repay debt.

The proposed indicators consistent with the level of capital expenditure set out above are as follows.

	2022/23 £m Actual	2023/24 £m Revised Estimate	2024/25 £m Revised Estimate	2025/26 £m Revised Estimate	2026/27 £m Estimate
Non - HRA	256.2	264.9	288.9	299.1	297.7
HRA	474.8	483.8	502.8	524.5	563.7
Total	731.0	748.7	791.6	823.6	861.4

3. Gross Debt and the Capital Financing Requirement.

In order to ensure that in the medium term, debt can be incurred only for capital purposes, this indicator requires that gross external debt does not (except in the short term) exceed the total of the CFR in the preceding year plus the estimates of any additional CFR for the current and next two financial years. Note that debt for this purpose excludes ex West Midlands County Council debt managed on behalf of other authorities.

It is anticipated that this requirement will be met for the years 2023/24 to 2026/27.

4. Estimated and Actual Ratio of Capital Financing Costs to Net Revenue Stream

This indicator is intended to demonstrate the affordability of capital investment decisions in terms of the ratio of capital financing costs to overall resources, expressed as a percentage. The proposed indicators consistent with the level of capital expenditure set out above are as follows.

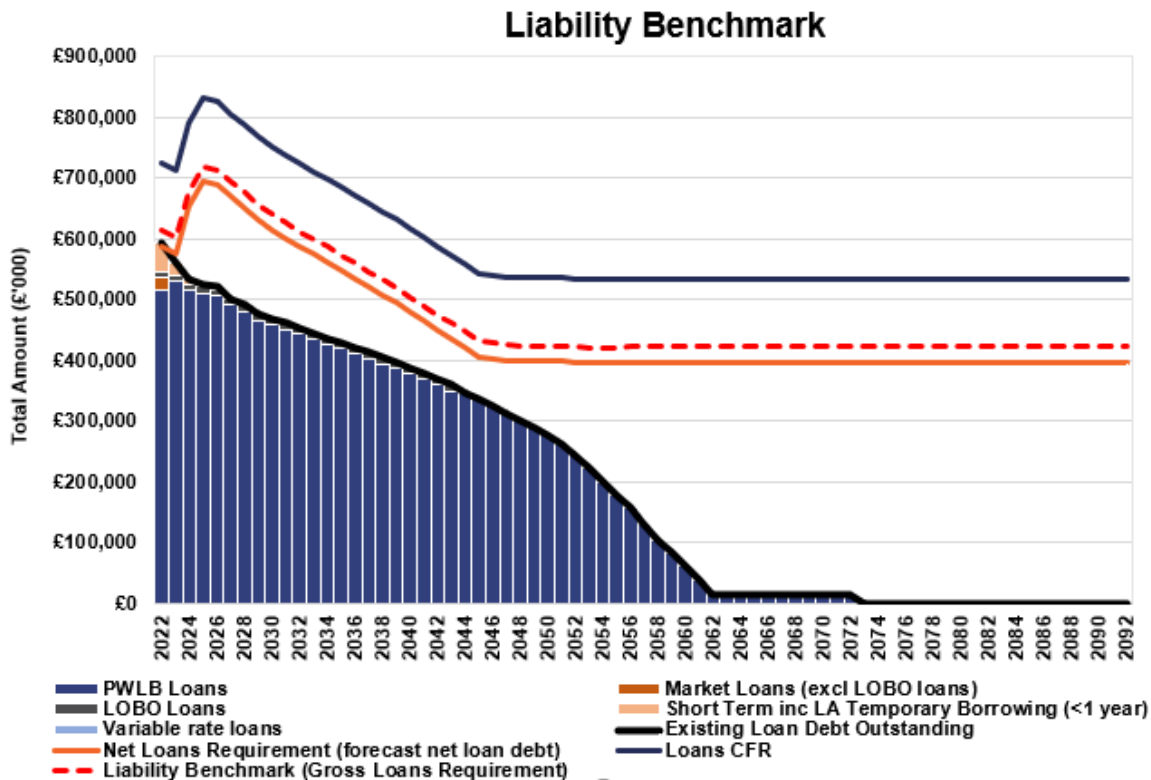
	2022/23	2023/24	2024/25	2025/26	2026/27
	%	%	%	%	%
	Actual	Revised Estimate	Revised Estimate	Revised Estimate	Estimate
Non - HRA	8.4	8.4	9.6	10.4	10.0
HRA	43.2	42.8	40.1	40.4	41.7

5. The Liability Benchmark

The revised Prudential Code introduced a new prudential indicator called the Liability Benchmark (LB). The Council is required to estimate and measure the LB for the forthcoming financial year and the following two financial years, as a minimum. There are four components to the LB:

- Existing loan debt outstanding – the Council’s existing loans that are still outstanding in future years,
- Loans capital financing requirement (CFR) – this will include only approved prudential borrowing
- Net loans requirement – this is the Council’s gross loan debt less treasury management investments at the last financial year end projected into the future
- Liability benchmark – (also known as the gross loans requirement) which is the net loans requirement plus short-term liquidity allowance.

As the chart shows there is currently a gap between the existing loan debt outstanding and liability benchmark this indicates that further borrowing is likely to be required in the next few years.



5. The Authorised Limit, Operational Boundary, and Actual External Debt

These indicators are intended to ensure that levels of external borrowing are affordable, prudent and sustainable. The Authorised Limit for external debt is a statutory limit (as per section 3 of the Local Government Act 2003) that should not be breached under any circumstances. The proposed limits set out below have been calculated to take account of the Council's capital expenditure and financing plans and allowing for the possibility of unusual cash movements. If this limit is likely to be breached, it will be necessary for the Council to determine if it is prudent to raise the limit, or to instigate procedures to ensure that such a breach does not occur.

The Operational Boundary for external debt is a management tool for day-to-day monitoring, and has also been calculated with regard to the Council's capital expenditure and financing plans allowing for the most likely, prudent, but not worst case scenario for cash flow. Temporary breaches of the operational boundary, due to variations in cash flow, will not be regarded as significant.

Both the Authorised Limit and the Operational Boundary are split between conventional borrowing and “other long term liabilities” such as leases and other capital financing arrangements which would result in the related assets appearing on the Council’s Balance Sheet. Such arrangements would include for example finance leases for the procurement of vehicles. Provided that the total Authorised Limit and Operational Boundary are not exceeded, the Director of Finance and Legal may authorise movement between the constituent elements within each total so long as such changes are reported to the next appropriate meeting of the Cabinet and Council.

Note that debt for these purposes includes ex West Midlands County Council debt managed on behalf of other authorities.

	2022/23	2023/24	2024/25	2025/26	2026/27
	Actual	Revised	Revised	Revised	
	£m	£m	£m	£m	£m
Authorised limit for external debt:					
Borrowing	n/a	810	824	839	883
Other long term liabilities	n/a	12	11	10	9
Total	n/a	822	835	849	892
Operational boundary:					
Borrowing	n/a	738	809	809	842
other long term liabilities	n/a	12	11	10	9
Total	n/a	750	820	819	851
Actual External Debt:					
Borrowing	702.9	n/a	n/a	n/a	n/a
Other long term liabilities	11.9	n/a	n/a	n/a	n/a
Total	714.8	n/a	n/a	n/a	n/a

Dudley MBC Capital Strategy

Background - The CIPFA Prudential Code for Capital Finance in Local Authorities

1. The Local Government Act 2003 introduced a system of “Prudential Borrowing” which allows councils to set their own borrowing limits subject to criteria of prudence, affordability, and sustainability. The CIPFA Prudential Code sets out the indicators that authorities must use, and the factors they must take into account, to demonstrate that they have fulfilled this objective.
2. The recently updated Code requires that: “In order to demonstrate that the authority takes capital expenditure and investment decisions in line with service objectives and properly takes account of stewardship, value for money, prudence, sustainability and affordability, authorities should have in place a Capital Strategy that sets out the long-term context in which capital expenditure and investment decisions are made and gives due consideration to both risk and reward and impact on the achievement of priority outcomes.”
3. The Strategy will be updated and approved by Full Council at least annually, along with the indicators required by the Prudential Code.

Capital Expenditure

4. A simple definition of Capital Expenditure is that expenditure which gives a future benefit or service potential to the Council for a period of more than one year. It is accounted for separately from revenue (day-to-day) expenditure and funded from different sources from revenue expenditure.
5. More specifically, expenditure that can be capitalised includes:
 - purchase, reclamation, enhancement or laying out of land;
 - purchase, construction, preparation, enhancement or replacement of roads, buildings and other structures;
 - purchase of plant, machinery, vehicles, furniture & equipment (including ICT hardware);
 - purchase of ICT software programmes;
 - grants (and some loans) to third parties for any of the above.
6. During its life, an asset may pass through up to four basic stages:
 - a. Acquisition or construction;
 - b. Ongoing management and maintenance;
 - c. Major enhancement;
 - d. Obsolescence, decommissioning and disposal.

Phases (a) and (c) may necessitate capital expenditure.

7. Capital expenditure extends further than direct acquisition and expenditure on assets by the Council. It also includes property and equipment that is leased for a significant part of its useful life or where the lease payments amount to a significant part of its value. Entering into such leases, and other similar credit arrangements, will therefore form part of the Council's capital expenditure and must be authorised by Council and included in the Capital Programme (see process below) *before* any lease is entered into. The implementation of IFRS16 from 1st April 2024 may require a reclassification of some leases currently being accounted for as operational leases to finance leases which will mean they will be classed as capital expenditure. It is proposed that these are taken to Cabinet in early 2024/25 for inclusion in the Capital Programme. Leases in that meet the revised criteria for finance leases taken out after 1st April 2024 should be approved in the same way as other capital expenditure.

Strategic Context

8. The Council is refocussing its priorities and projects around those that will prevent a higher cost, deliver cost reductions/increased income and help to deliver the Council's improvement and sustainability programme.
9. The Council Plan is supported by Directorate plans that will provide more detailed information on the service actions we are taking to deliver our priorities.
10. The Capital Strategy is one of the means by which the priorities of the Council will be achieved. We recognise that to accomplish our goals, best possible use needs to be made of existing public sector assets, while resources available for new investment must be deployed as efficiently and effectively as possible.

Links to other Strategies and Plans

11. The Capital Strategy is consistent with the Council's other strategies and plans. Of particular relevance is the Corporate Estate Strategy which reflects the key Council Plan aims, recognising that good asset management should help the Council to
 - Empower communities and engender civic pride;
 - Improve the economic wellbeing of an area;
 - Increase co-location, partnership working and the sharing of knowledge;
 - Reduce carbon emissions and improve environmental sustainability;
 - Prioritise and align resources with the Customer Connect initiative to deliver exceptional services for citizens of and visitors to Dudley.

12. The Estate Strategy comprises 3 main parts:

- The current position of the Council's estate;
- Its desired future position;
- How we propose to deliver it.

The current strategy has been under review since April 2023. A specific element of this – the office estate strategy – is expected to be approved by April 2024.

Partnership and External Funding

13. The Strategy not only covers all aspects of Capital expenditure within the Council, but also those areas where the Council works in partnership – for example using its own resources as match funding to maximise the overall resources available for its own and its partners' priorities.

14. It also informs the bidding for additional capital resources (e.g. from Central Government and other sources of external grant funding).

Capital Priorities

15. The Council's current capital investment priorities, including those where it is working in partnership, are as follows.

Public Sector Housing

16. Priorities:

- Planned programmes of investment to improve and maintain our homes in good order through efficient investment in key building components including but not limited to roofs, electrics, kitchens, and bathrooms.
- Ensuring that Council homes are economically viable and available for occupation to a standard that meets both Decent Homes and the tenants needs.
- Tackling fuel poverty and energy efficiency for residents and contributing towards decarbonisation and the climate change emergency.
- Delivering social care programmes in residents' homes and improvements in sheltered schemes which support and where possible increase the ability for residents to live independently in their own homes.
- Delivering regeneration, environmental and community safety improvements to our estates.
- Strategic stock investment and de-investment programmes in accordance with the Housing Asset Management Strategy 2019 – 2029 and providing suitable investment at affordable levels for communal facilities across the housing portfolio.
- Providing new affordable social housing within the borough through acquisitions and development.

- Providing an efficient repair service to deliver all responsive and routine maintenance responsibilities, and undertake all statutory compliance responsibilities and cyclical maintenance programmes.

Private Sector Housing

17. Priorities:

- Continued use of loan, grant and other forms of financial solutions to assist vulnerable occupiers living in the private sector to remain independent in their homes through resourcing, supporting and potentially delivering property repair, improvements and adaptations.
- Winter Warmth / Energy Advice Service providing advice, practical support, equipment, and repairs to ensure vulnerable occupiers have access to support to keep warm, healthy and heat their homes efficiently.
- Continued strategic use of loan, grant, and other forms of financial solutions to bring long term empty private properties back into use.
- Sustaining our improved performance in delivering adaptations for disabled persons through use of mandatory Disabled Facilities Grants.
- Provision of rent deposit guarantees / loans to private sector landlords / potential tenants to facilitate access to accommodation for persons in need.
- Work with stakeholders and local and national developers to support in the development of homes for private sale.

Highways and Transport

18. The Transport Capital Programme supports maintenance and improvement works on the Council's highway infrastructure and its associated assets, including street lighting, the repair and maintenance of pavements and public rights of way, structures, bridges and retaining walls.

19. Through effective asset management, the Council will continue to maximise opportunities offered by new technology using innovative ways of maintaining and improving its highway network.

20. By working with the Department for Transport, Transport for the West Midlands and the wider Combined Authority, West Midlands partners, local partners and the community, external funds will continue to be sought for existing and new projects. We will also, using Government Grants, continue to invest and improve the Borough's transport networks to ensure their safety, efficiency and minimise their environmental impact particularly associated with traffic congestion and air quality.

21. Current priorities:

- Delivery of the Highway Maintenance Programme for roads and pavements.

- Investment in the Street Lighting Infrastructure (to generate greater energy efficiency).
- Works on highway structures, bridges and retaining walls.
- Integrated Transport (minor schemes designed to improve the safety and increase the capacity of the highway network and encourage sustainable modes of travel).
- Completion of major and minor highway schemes and other projects.

Economic Regeneration

22. External funds are maximised to support the delivery of key economic regeneration projects and initiatives. Previously this has included the Heritage Lottery Fund, European Regional Development Fund (ERDF), Growing Places, Local Growth Fund, Get Building, Future High Streets Fund and Towns Fund, and funding accessible via the West Midlands Combined Authority.
23. In 2022 the Government launched the Levelling Up White paper in March 2022, which included as a central pillar, £2.6 billion of funding via the UK Shared Prosperity Fund (UKSPF) for local investment to March 2025 with the primary aim being ‘to build pride in place and increase life chances across the UK aligning with the Levelling Up White paper missions. UKSPF is the replacement funding for European Structural Investment Funds. The West Midlands, via the Combined Authority (WMCA) has been allocated £88.4million with local authorities having funding devolved using a 70:30 methodology. UKSPF is now in its second of three years with funding being allocated to support a range of projects against the three priorities of: People and Skills, Communities and Place, and Supporting Local Business.
24. The Council will continue to seek to maximise the use of external funds through its engagement with external partners including the WMCA, as part of the Deeper Devolution Deal discussions, and Homes England, in addition to seeking to bid direct to Government for new funding streams.
25. The Transport for West Midlands (TfWM) project to deliver the Metro extension from Wednesbury to Brierley Hill is underway with works through Dudley Town Centre to Flood Street in the final year of delivery. Following the Combined Authority’s decision to pause delivery from Flood St due to budget pressures a funding package was developed summer 2023 with a view to funding the Metro to Waterfront. A further announcement of a funding allocation to the West Midlands Mayor in the autumn should support ongoing delivery of the Metro. Both funding packages are subject to WMCA and Department for Transport approval of a business case being developed by TfWM.

The Council has funded some measures to uplift the public realm alongside the Metro extension through the borough funded by prudential borrowing. Some of these have already been delivered, some are underway and others will now be paused until September 2025 following the decision on 11th January regarding the MTFS however alternative sources of funding will actively be sought.

26. TfWM is also leading on the delivery of a new Transport Interchange for Dudley Town Centre which will replace the existing Bus station and link with Metro. Temporary bus stops are now in place to support the closure of the current bus station through the development period.
27. Following applications in the previous round of the Levelling-up Fund (LUF) and ongoing lobbying alongside a good track record for delivery, Government has announced the award of two, £20m LUF awards for regeneration projects in Halesowen and Brierley Hill. Additionally, a further £20m award for Dudley Town Centre has also been announced as part of the Government's Long Term Plan for Towns. This funding is subject to further work and agreements and has not yet been drawn down.
28. These funding announcements are in addition to existing external funding which is already supporting town centre regeneration in the borough. This includes Townscape Heritage funding from Heritage Lottery Fund to improve the built historic environment in conservation areas in Dudley town centre, and a combination of Future High Streets Fund and Heritage Action Zone monies in Brierley Hill which are delivering improvements to public realm, community facilities, building restoration and culture-led activities.
29. A recurring budget funded mainly by borrowing will be used for structural maintenance of Council buildings which cannot be met from other resources. Projects arising from the Council's Estate Strategy, including those in pursuance of the "One Public Estate" strand of the Council's Transformation agenda will also be progressed subject to value for money assessment.

Environmental Services

30. Current priorities are:
 - Possible alternative sites for the Household Waste Recycling Centre.
 - Ongoing programme for replacement of vehicles used to deliver services including exploring wider use of electric vehicles.
 - Delivery of the Green Spaces Asset Management Plan.
 - Promote and develop our open spaces and nature reserves through Geopark status and accreditation.
 - Develop a new sustainable Waste Strategy that is compliant with the emerging national picture.

Cultural

31. Current priorities are:

- New burial sites to be identified across the borough.
- A new children's play area and on-site café facility at Himley.
- Refurbishment of the Red House Glass Cone.

Schools

32. The key investment priorities for the use of available capital resources (mainly funded by a number of Government grants) are:

- Maximise the efficient and effective use of resources in collaboration with partners to improve service delivery.
- Work in joint partnership with schools to target available resources in accordance with the asset management programme.
- Address the backlog of urgent repairs and maintenance identified by condition surveys for all schools using fair and transparent prioritisation processes.
- Continue to address the issues of Basic Need requirements ensuring sufficient school places across the primary and secondary schools sector (maintained and non-maintained) through effective place planning processes.
- Continue to develop the infrastructure required to improve the Special Educational Needs (SEN) provision including the issues of Basic Need requirements ensuring sufficient school places for Special Schools in line with the SEND Strategy.
- Continue to maximise bidding opportunities for external funding to replace or upgrade those school buildings with the most urgent need as identified by the principles of Asset Management Planning.
- Ensure the continuing delivery of the Directorate's asset management plan in accordance with DfE requirements especially for the collation of robust data on school places and condition.
- Ensure revisions to regulations and guidance for school buildings are adhered to and complied with.

Social Care, Health and Well Being

33. Working in partnership to support residents to continue to live independently. Investment in the infrastructure to enable telecare to convert from an analogue to digital system.

Commercial and Customer Services

34. Ongoing programme for replacement and upgrading of ICT infrastructure used to deliver services.

Capital Programme

35. The detailed Capital Programme for the Council's own expenditure on acquisition, development and maintenance of the assets required to deliver service outcomes will be updated on an ongoing basis in accordance with the Governance processes set out below. Taking into account the Council's capital grant allocations, together with affordable levels of "prudential" borrowing and locally generated capital resources in the form of capital receipts and contributions from revenue budgets, the Capital Programme currently being proposed is as follows (including proposals included within this report and the Housing Finance report being taken to February Council):

	2023/24	2024/25	2025/26	2026/27
	£'000	£'000	£'000	£'000
Public Sector Housing	58,000	87,400	92,300	93,400
Private Sector Housing	9,486	3,418	71	71
Environment	5,565	9,891	5,500	5,443
Transport	13,433	11,853	8,896	8,246
Regeneration and Corporate Landlord	23,004	20,534	13,074	3,354
Culture, Leisure & Bereavement	1,542	2,499	3,300	0
Schools and SEND	11,271	19,916	17,741	11,000
Social Care, Health and Well Being	702	1,850	0	0
Digital, Commercial and Customer Services	2,135	1,100	1,161	1,095
TOTAL	125,138	158,461	142,043	122,609

Property Investment

36. The Council will incur capital expenditure on acquisition or development of property only where the primary purpose is service delivery and/or regeneration, and in the case of the latter then only where a development would not happen without Council involvement, and the potential regeneration gain justifies any financial or other risks. It will not invest in property for the sole or primary purpose of revenue income or other financial return.

Sources of Funding

Grants & Contributions

37. These are mainly provided by Central Government Departments or other Public Sector Agencies and are usually to fund specific projects or broader categories of spend, in line with the funder's priorities. They may be received in response to specific bids, or on a formula allocation basis. They may also require match funding from the Council's other capital resources, or from other local partners or spending beneficiaries.
38. To a lesser extent, contributions may be available in the form of "Section 106" planning agreements, Community Infrastructure Levy, or otherwise from local business partners.
39. Some Government capital grant funding is scheme specific to the extent that it cannot be used for anything else ("ringfenced") but is often only notionally allocated to specific areas of spend. Thus it can be spent at the Council's discretion, the only real condition usually being that it must be spent on capital rather than revenue items. However the Council has generally followed a process where such resources are (internally) earmarked to the relevant service area.

Revenue & Reserves

40. To the extent that revenue resources and reserves are available once day-to-day spending needs have been covered, these may be used to fund capital expenditure.

Borrowing (commonly known as Prudential Borrowing)

41. The Council can borrow to fund capital expenditure so long as it has sufficient revenue resources to service the resulting debt charges – principal and interest.
42. Any proposals to fund capital expenditure from borrowing where the revenue costs can be met from existing resources (e.g. "spend to save" type initiatives) are considered by Cabinet and Council in the same way as any other capital projects.
43. Any proposals to fund capital expenditure from borrowing where the revenue costs cannot be met from existing resources must be considered along with other revenue budget pressures as part of the annual revenue budget setting and MTFS review process in the light of overall revenue resource availability.

Capital Receipts

44. Assets (usually land and buildings) no longer required for the provision of services may be declared “surplus to requirements” and sold. The detailed disposal process is set out in the Corporate Estate Strategy.
45. Proceeds from disposals of General Fund assets do not constitute available capital resources, but generate revenue savings by repaying existing borrowing or as a substitute for new borrowing (see above) that would otherwise be required. Proceeds from Right to Buy sales and other Public Sector Housing disposals are currently earmarked for Housing investment.

Budget and Medium Term Financial Strategy

46. As set out above, any proposals to fund capital expenditure from borrowing where the revenue costs cannot be met from existing resources must be considered along with other revenue budget pressures as part of the annual revenue budget setting and MTFS review process in the light of overall revenue resource availability.
47. Likewise capital projects generating net savings may be brought forward, along with other savings proposals, as part of the overall budget and MTFS review process.
48. All forecast debt charges and other revenue costs arising from approved new capital spend (together with debt charges arising from past expenditure funded from borrowing, and the revenue costs of ongoing maintenance of existing assets) will be included in the revenue budget and MTFS of the General Fund or HRA as appropriate.

Treasury Management Strategy

49. Long term borrowing requirements to fund overall capital expenditure not met from other means - the “Capital Financing Requirement” (including the extent to which this can be met internally rather than from external borrowing) and short term cashflow requirements in respect of the Capital Programme and funding, are taken into account in the Council’s Treasury Management Strategy. At 31st March 2023, long term borrowing and similar liabilities for the Council’s own purposes (i.e. excluding debt managed on behalf of other authorities), amounted to £636m. This compared with long term assets held to the value of £1,964m.

Affordability and Risk

50. The Capital Strategy sets out the framework within which individual capital projects are approved for inclusion in the Capital Programme and does not in itself authorise any capital expenditure. Affordability and risks are considered when proposals are brought forward for such inclusion. This will include risks relating to the capital expenditure itself, funding of that expenditure (e.g. grant availability and conditions), and ongoing revenue costs and/or income.
51. Risks relating to (treasury) management of borrowing to fund capital expenditure and overall revenue resource availability to fund debt charges and other revenue costs arising from capital expenditure are explicitly recognised in the Treasury Management Strategy and the overall MTFs (General Fund and HRA) as appropriate.

Governance

Inclusion of projects in the Capital Programme

52. All proposals to include projects in the Capital Programme must be approved by full Council following recommendation by Cabinet. This applies regardless of the source(s) of funding for the project.
53. The only exceptions to the requirement that all capital projects be approved by full Council are:
- i. In cases of urgency, a project may be included in the Capital Programme by Cabinet alone (if the decision cannot wait until the next meeting of Full Council).
 - ii. In cases of urgency, a project may be included in the Capital Programme by the Leader of the Council in consultation with the Chief Officer, Finance and Legal – using the Decision Sheet process (if the decision cannot wait until the next meeting of Cabinet). The Decision Sheet will need to cover the same issues as would be required for reporting to Cabinet (see below), and must also include an explanation of why the normal processes cannot be followed. If the degree of urgency is such that the normal requirements of the Constitution with regard to public notice and “call-in” would prejudice the delivery of the project, approval of the Chair of the appropriate Scrutiny Committee (to waive notice) and Mayor (to waive call-in) will also be required.

Note however that these “urgency” procedures are intended to be used only in exceptional circumstances and are not intended as a substitute for proper project planning. Use of the procedures is reported to the next available Council, or Cabinet & Council meetings as appropriate.

- iii. Other specific standing authorisations have been given to include particular categories of expenditure in the Capital Programme without individual Cabinet approval. These include:
- School projects funded wholly from delegated budgets or fundraising activities (subject to prior approval by the Director of Children’s Services & the Director of Finance and Legal).
 - Various categories of project funded by s106 monies.
 - Regeneration projects in certain areas subject to availability of external funding.
 - Parks & Open Spaces projects funded as a result of “Friends” bids.
 - ICT Strategy projects.
 - Projects funded from a number of regular Government funding allocations.
 - Community Infrastructure (CIL) funded projects approved by Cabinet.

Responsible Officers

54. Directors will identify a Responsible (Lead) Officer for each project who will take overall responsibility for coordinating all aspects of the project from initial proposal through to post completion review.
55. The Responsible Officer role is key to the efficient operation of the Council’s Capital Programme. Responsible Officer details will be held on the Council’s financial systems, and any change must be notified to the relevant accountant so that these can be amended.

Justification

56. Prior to the inclusion of *any* project in the Capital Programme, each proposal must be justified against the following criteria:
- i. Contributes towards the delivery of the Council's strategic objectives, e.g. as set out in the Council Plan.
 - ii. Contributes towards the achievement of a specific priority/objective(s) as set out in a Directorate Service Plan, and/or arises from agreed capital strategies e.g. Housing Investment Programme, Local Transport Plan, and/or assists the Council to meet its statutory objectives or respond to new legislative requirements, and/or contributes to the achievement of Best Value.
 - iii. Can be supported by a coherent funding strategy; will minimise use of the Council's own resources.

- iv. Has a clear and well thought out brief which defines the objectives of the project and specifies any issues which are time critical; is otherwise achievable within the financial year concerned.
- v. Has been fully evaluated against alternative methods of achieving the same objectives, and alternative funding sources. (See Option Appraisal section below.)

Option Appraisal

- 57. Every capital project must be evaluated against alternative methods of achieving the same objectives.
- 58. Options appraisal must be an integral part of the decision-making process and the scale and nature of a project will determine the level of options appraisal detail needed to make a decision.

Prioritisation

- 59. In order that the limited resources available for capital investment are used in the most effective way, it is essential that robust and consistent prioritisation processes are used to determine which projects proceed.
- 60. In theory, it would be possible devise a methodology for prioritising *all* potential capital projects against the resources available - to maximise the total benefit of the Council's capital Investment as a whole. In reality however, this would pose major problems, not least the difficulty in devising a prioritisation methodology which could fairly compare and score bids for schemes of all magnitudes and degrees of complexity across the whole range of Council services.
- 61. Some Government capital grant funding is scheme specific to the extent that it cannot be used for anything else ("ringfenced") but is usually only notionally allocated to specific areas of spend. Thus it can be spent at the Council's discretion, the only real condition usually being that it must be spent on capital rather than revenue items.
- 62. However the Council has generally followed a process where such resources are (internally) earmarked to the relevant service area, but with an emphasis on demonstrating appropriate prioritisation *within* service programmes, and *within* spend headings.
- 63. It is the responsibility of the relevant Directors to make sure that such prioritisation is robust and stands up to scrutiny. Prioritisation should include formal scoring mechanisms or other objective methods wherever possible and appropriate.

Where a project relies on council resources prioritisation is achieved by including the revenue costs in the budget pressures process for consideration against other pressures in light of the overall resource position.

64. It should in particular be noted that even where capital resources are earmarked to particular spend areas, there is usually still a large degree of flexibility concerning allocation to specific projects. Likewise, where resources are being bid for (see below) there will usually be discretion over which particular projects are submitted. In such circumstances it is just as important in gaining best value from available resources to ensure that robust prioritisation is undertaken before bids are submitted.
65. Note that prioritisation and option appraisal are not the same – but are two distinct elements of the overall project selection process. Option appraisal is concerned with choosing the best way of achieving an objective, e.g. how to increase safety on a particular road. Prioritisation is concerned with which projects go ahead within limited resources, e.g. which road safety projects should proceed first.

Reporting

66. At the initial stage of project development, an Asset Decision Proforma (ADP) - see Appendix 1 – is completed in conjunction with Corporate Landlord Services (CLS) to capture key project information. Note that this proforma, and the requirement for CLS input relates to all major property decisions, and is not restricted to capital programme approvals. Any issues must be resolved before proceeding to the next stage of the process.
67. Each meeting of the Cabinet receives a Capital Monitoring Report which includes the details of proposals to include projects in the Capital Programme. (Exceptionally there may be a stand-alone report where a major project / service area is involved. In such cases a Proforma should still be completed and submitted as above.)
68. If following receipt of tenders, it is clear that costs will exceed the approved budget – or if any other circumstances change that materially affect the scheme as approved by Cabinet & Council – it will be necessary to report back to Cabinet & Council, in order for the budget to be amended, or any other changes approved.

Project Management & Monitoring

69. Capital expenditure must be in compliance with all relevant Standing Orders, Financial Regulations and Codes of Practice. Directors must ensure that all Responsible Officers are aware of these requirements, and that Responsible Officers are competent in Project Management skills.
70. Expenditure on and progress of each project will be monitored regularly.

Project Review

71. A post completion review of each major capital project should be undertaken by the appropriate Director to ensure all lessons learned are documented and shared with relevant officers.

ASSET DECISION PROFORMA

Key Data

Directorate:	Division:
Lead (Responsible) Officer:	Phone:
Asset (<i>include address, accurate site plan and photos as necessary</i>):	
Brief description of project (<i>i.e. acquisition via purchase or lease; alteration; extension; major refurbishment; change of use / relocation; disposal via sale or lease</i>):	

Outcomes

Benefits to service delivery (<i>quantified hard and soft benefits to the Council anticipated from project, including benefits to customers and partners, e.g. shared use</i>):
Link to Strategic Objectives (<i>refer to specific Community / Council Plan objectives</i>):
Link to Directorate Asset Plan (<i>refer to specific action / objective</i>):
Confirmation of consideration of ensuring improved energy efficiency for the asset by planned works (<i>Yes/no - describe outcome</i>)
(<i>For alteration and refurbishment</i>) impact on Asset (<i>i.e. value, useful life, flexibility of use</i>):

Background Processes

Provide details of scoring mechanism or other process used to prioritise this project:
Provide details of option appraisal undertaken in accordance with Standing Orders (<i>including consideration of alternative sites and alternative delivery methods, together with costs/benefits of each</i>):

Results of Feasibility Study:
Results of Risk Assessment (<i>including identification of key risks</i>):
Results of Consultation:

Financial

<i>(For acquisition, alteration, refurbishment)</i> - capital cost: £'000 - to be funded from £'000
Financial year(s) of proposed spend:
<i>(For disposal)</i> - expected proceeds: £'000 - costs of disposal: £'000
<i>(For all proposals)</i> implications for revenue expenditure (<i>and if net cost, how funded</i>): - costs: £'000 - savings: £'000

Signed: _____ (Responsible Officer)	Date: _____
Signed: _____ (Accountant)	Date: _____
Signed: _____ (on behalf of Corporate Landlord Services)	Date: _____
Signed: _____ (Director)	Date: _____