

## TRAFFORD COUNCIL

**Report to: Executive and Council**

**Date: 15th February 2023**

**Report for: Decision**

**Report of: The Executive Member for Finance and Governance and the Director of Finance and Systems**

### Report Title

**CAPITAL STRATEGY, ASSET INVESTEMENT STRATEGY, CAPITAL PROGRAMME AND PRUDENTIAL & LOCAL INDICATORS 2023/26**

### Summary

This report highlights the Council's investment plans for the next three years taking into account the estimated resources to be made available from Government as well as the Council's own resources and consists of: -

**Capital Strategy (Appendix 1)** – The Capital Strategy which includes the core principles that underpin the Council's Capital Programme.

**General Capital Programme (Appendix 2 – Section 1)** - The level of resources forecasted to be available for general capital investment purposes during the period is £195.64m. The proposals included in this report will result in a general Capital Programme totalling £199.16m. This equates to £3.52m of over-programming over the three-year programme and will be reviewed each year to ensure actual capital resources are not overcommitted. To assist with the delivery of the capital programme individual scheme proposals are included for a number of key programmes.

**Asset Investment Strategy (Appendix 2 – Section 2)** – This report highlights the Council's proposals to utilise the fund created during 2017 by acquiring a range of investment assets to facilitate development and regeneration whilst providing a sustainable revenue stream and covering any related borrowing costs and also supporting local authority functions.

**Prudential and Local Indicators (Appendix 3)** – the Council is required to set indicators in accordance with the CIPFA Prudential Code which are designed to support decisions taken on affordability, sustainability and professional good practice.

**Details of Block Budget Allocations (Appendix 4)** – Provides individual details of schemes that are covered by block allocations.

**Asset Investment Strategy (Appendix 5)** – The refreshed Asset Investment Strategy, for approval, which has been updated to take account of the recent changes to the Council's corporate priorities and the wider economic environment.

### ***Recommendations***

That the Executive approve the: -

1. Capital Programme as detailed in Appendix 2 of the report.
2. Schemes to be undertaken from the “block” budget allocations reported in paragraph 21 and detailed Appendix 4.

That Executive recommends the Council to approve: -

3. The Capital Strategy included in Appendix 1.
4. the overall Capital Programme in the sum of £388.42m for the period 2023/26, comprising £199.16m in respect of the General Capital Programme and £189.26m for the Investment Strategy and
5. additional prudential borrowing of £7.95m to support the leisure strategy (£3.5m) and £4.45m to support Local Authority Housing Fund match funding element subject to approval of full business case and delivery model as detailed in paragraph 10
6. the Prudential and Local Indicators as set out at Appendix 3 of this report.
7. the Asset Investment Strategy included in Appendix 5
8. the flexible use of capital receipts as detailed in paragraph 13 of this report

Contact person for access to background papers and further information:

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Background Papers – None

## BACKGROUND

1. The Capital Strategy focuses on the core principles that underpin the Council's capital programme and gives a position statement with regards to capital expenditure and the resources available. It also reviews the key issues and risks that will impact on the delivery of the Council's capital investment plans and the governance framework required to support delivery of the Strategy.
2. The three-year Capital Programme 2023/26 and update of available resources is detailed in Appendix 2. This includes specific reference to a number of budget areas which historically have had subsequent reports to Executive to approve the programme of schemes for these areas e.g.: - Public Building Repairs and Highway Programmes.

Relationship to Policy Framework/Corporate Priorities	Value for Money
Financial Implications	Planned capital expenditure over the next three-year period will be contained within available capital resources.
Legal Implications:	All expenditure to be incurred in accordance with capital regulations and prudential code.
Equality/Diversity Implications	In approving the detail of schemes proposed through the capital programme the Council will need to ensure that any decisions are made fully in accordance with its Public Sector Equality Duty.
Sustainability Implications	The indicative capital programme includes a number of proposals that will aid the Council in its environmental sustainability objectives, as detailed in Annex A.
Staffing/E-Government/Asset Management Implications	A number of improvement schemes are being undertaken in 2023/26.
Risk Management Implications	Assumptions have been made on the level of receipts from land sales and developments to be generated in 2023/24 to 2025/26. This is subject of the Strategic Land Review Programme and is being presented as a separate report. An ongoing review will be undertaken of the future funding sources and in the event that there is a shortfall in resources to finance the Capital Programme, adjustments will be made to our expenditure plans. Any other properties or other assets acquired as part of the Asset Investment Strategy will be subject to the annual review and revaluation. An appropriate risk reserve has been created and is monitored in line with the investment strategy to mitigate risk and provide protection to ourselves for potential future unknowns.

### Other Options

Health & Wellbeing Implications	The proposed capital programme includes a number of schemes that seeks to provide a positive impact on the Health and Wellbeing of Trafford's residents, including sports and leisure improvements, home adaptations as part of the Disabled Facilities Grant, tree replacement programme and improvements to play area infrastructure across the borough.
Health and Safety Implications	A number of schemes are being undertaken on the grounds of health and safety.
Carbon Reduction	Various budget proposals in the revenue and capital budgets support the carbon neutral action plan.

The Executive could decide to use capital receipts to repay debt which would generate revenue savings on the Medium Term Financial Plan. However, the proposed application of the capital receipts are to schemes with mandatory requirements and schemes to protect the long-term viability of the Council's assets; enabling efficient and effective service delivery and avoiding potential increases in maintenance costs in future years, the benefits of which are greater than just using the receipts to repay debt.

**Consultation**

Consultations have taken place with budget holders, responsible officers and professional services to ascertain the new projects to be put forward for inclusion in the Capital Investment Programme for 2023/26. Consultation with the public and user-groups will follow, where appropriate, once the programme is set and specific proposals within the budget allocations are developed.

**Reasons for the Recommendation**

The Authority is regularly assessed on the performance of its Capital Programme and how delivery matches corporate policies and proposed spending plans. To reflect budgets in line with revised expectations will assist in evidencing that compliance with the above is being met.

**Finance Officer Clearance** .....GB.....

**Legal Officer Clearance** .....DS.....

*G. Bentley*

**DIRECTOR'S SIGNATURE**

# TRAFFORD COUNCIL

## Capital Strategy

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## INTRODUCTION

The effective management of capital resources is an important aspect in the delivery of the Council's corporate objectives and associated priority areas. The Capital Strategy provides the framework for this delivery and ensures there is a focused approach to our capital investment.

The Strategy maintains a strong and current link to the Council's priorities and to its key strategy documents notably the Corporate Plan and Place Shaping Strategy, Medium Term Financial Strategy, Treasury Management Strategy, Asset Management Plans and the Asset Investment Strategy.

The Strategy is reviewed annually and updated to take account of the new challenges facing the Council and the aspirations of our residents - ensuring that we provide a Capital Strategy which meets the Council's long-term vision of ***"Where all our residents, communities and businesses prosper"***.

## OBJECTIVES

The high-level objectives for the Council's capital investments have been reviewed as part of the Capital budget setting process to give schemes with more emphasis on savings and income generation a higher priority, to assist with the revenue challenges that the Council is currently facing, these revised priorities over the medium term are: -

- ❖ Support the Medium-Term Financial Strategy (MTFS) by ensuring that capital investment decisions are not taken in isolation from revenue spending with specific emphasis on delivering future savings and income streams capable of supporting the revenue budget.
- ❖ Support investment that attracts additional external funding
- ❖ Protect the Council's asset base including ICT infrastructure
- ❖ Ensure schemes of a health and safety nature are delivered
- ❖ Statutory implications/impact on service delivery.
- ❖ Support achievement of Corporate Objectives and key priorities:
  
- ❖ Specific priorities include: -
  - Regeneration of Strategic Locations including, Stretford Civic Quarter and the Altrincham Town Centre and Stretford Masterplans including Future High Streets Fund
  - One Public Estate, particularly relating to new health related provision and best use, including rationalisation of public sector assets
  - Leisure Centre Strategy including Public Sector Decarbonisation works
  - Investment in Highways and Infrastructure including Active travel schemes funded through Mayors Challenge Fund and City Region Sustainable Transport Fund
  - Major infrastructure schemes to support new housing development, including Carrington Relief Road - A1 Route
  - Schools - Expansion Programme and Improvement funded through Basic Need and Capital Maintenance Grants
  - Special Educational Needs Provision

- Adult Social Care provision
- Increase the availability and range of suitable housing and improve the quality and standard of existing housing.
- Parks, greenspaces, and tree planting programme
- Contributing to achieve carbon neutrality
- Protecting and improving ICT infrastructure to assist in improved service delivery
- Asset Investment Strategy, including the acquisition of commercial properties, provision of senior development or investment debt and direct development of council owned sites.

The Council's 2023-2026 Capital Programme, associated financing and prudential borrowing requirements is attached as an appendix to this strategy.

A developing theme for this and future capital programmes will be how our capital investment plans support the Council's ambition of achieving carbon neutrality by 2038.

In delivering both the Capital Programme and maintaining a mixed investment portfolio, opportunities to improve the carbon footprint will need to be explored. This will be done through exploring alternative delivery solutions around construction and working with potential partners to assess their green credentials. Also, as part of the ongoing review of the investment's portfolio, analysis of any potential carbon impact will be undertaken. This will then formulate, if required, a plan of action that will need to be delivered to improve the carbon footprint of the investments that are held.

Trafford Council was one of the first local authorities to declare a climate emergency in November 2018, whilst Greater Manchester has committed to being carbon neutral by 2038 through the Greater Manchester Combined Authority. Across the council and in partnership across Trafford, we are continuing to make progress with measures that will reduce our carbon footprint and put us on a pathway to carbon neutrality by 2038, and in doing so, help to improve the health and wellbeing of our communities, our environment, and our economy. The Council's Carbon Neutral Action Plan details those areas which are to be targeted to achieve the overall aim of carbon neutrality. These areas are.

- Governance, Engagement and Collaboration
- Production and Consumption of Resources
- Transport and Travel
- Heat and Energy
- Natural Environment
- Skills and Green Growth
- Homes, Workplaces and Buildings

Within the indicative capital programme at Appendix A are a number of schemes supporting the Council's carbon neutrality objectives detailed above with the following schemes assisting in achieving carbon neutrality.

- Active travel schemes funded through Mayors Challenge Fund and City Region Sustainable Transport Fund,

- Investment in parks and open spaces including tree planting schemes
- Resomation Cremators at Altrincham Cemetery
- Street Lighting replacement programme
- Public Sector Decarbonisation Schemes
- Investment in Electrical Vehicle Charging Infrastructure

There are a number of schemes within the current three-year capital programme delivering on decarbonisation of council buildings, electrical vehicle charging points and cycling and walking schemes that are also contributing to the objectives detailed above.

In addition to schemes included in the indicative capital programme, the investments and developments that are undertaken as part of the Asset Investment Strategy consider increased level of sustainability to assist with the overall objective of carbon neutrality.

## **CONTEXT**

The updated Prudential Code published in December 2021 requires that authorities should have a Capital Strategy with the purpose of establishing a long-term direction for the management and use of capital resources for the organisation.

The Capital Strategy is closely linked to a number of other key strategies including:

- ❖ Corporate Plan
- ❖ Medium Term Financial Strategy
- ❖ Asset Management Plans
- ❖ Asset Investment Strategy and Town Centre Strategies
- ❖ Treasury Management Strategy





## CORPORATE PLAN

The corporate plan describes Trafford Council’s strategic vision, outcomes, and priorities for the borough, with the priorities being key to its delivery. It includes an overview of what the council will do and how we will work with our residents, communities, businesses, and other partners to deliver change to Trafford in line with these commitments.

As an overarching plan, it will shape activity within the council, help prioritise resources and assist our financial planning. Importantly, the success of the plan can be monitored through target setting and outcomes that can be measured. It is also intended as a guide for our partner organisations to help identify shared objectives so we can work together more effectively to achieve far more for Trafford than we ever could working alone.

Through our new vision we will meet the opportunities and challenges that lie ahead and work together to deliver for our residents, communities, businesses, and partners.

To achieve this, we are focused on three outcomes:

1. All our residents will have access to quality learning, training, and jobs
2. All our communities will be happy, healthy, and safe
3. All our businesses and town centres will be supported to recover and flourish in an inclusive way

The corporate plan focuses on outcomes, rather than just on the services we provide, will help the council and our partners work together towards shared goals, rather than as individual service providers and it will focus on three priorities to help us achieve these outcomes; these priorities set out our ambitions for our people, place, and communities.



**Reducing health inequalities**



**Supporting people out of poverty**



**Addressing our climate crisis**

## **Our Approach**

Key to successfully delivering the vision, outcomes and priorities in the corporate plan is the way we work and our approach. This is defined as: Delivering the right, quality services at the right time for residents, communities, businesses, and partners using our skilled and diverse workforce. Being responsive, accessible, and fair to all and placing this at the heart of everything that we do. This means becoming a digital council, improving connectivity and helping more residents to get online and access new technology. At the same time, we will ensure that residents are not left behind in our increasingly digital society. Providing value for money, targeting investment and better partnership working; ensuring our services are built around the needs of people who live, work and visit the borough.

Working with residents, communities and business to provide properly maintained, clean, attractive and safe green spaces for everyone to enjoy. Continuing to maintain tight control on our finances through the medium-term financial plan (MTFP) to deliver a balanced budget. Working more closely with residents and using data effectively, to influence and inform our local decision making. Making sure our communications is open and accessible to all, continuing to engage both directly and through social media, websites and online platforms. Working together to help develop a strong, dynamic and diverse voluntary sector as a key partner in the borough and actively encourage volunteering.

## **PLACE SHAPING BOARD**

The Trafford Place Shaping Board reports to the Executive Member for Economy and Regeneration, chaired by the Corporate Director for Place and comprising directors and senior council officers, it meets regularly to develop, direct and deliver a Place Shaping Programme encompassing a number of inter-related programmes including Leisure, Investment and enabling projects.

The purpose of the Place Shaping Board is to ensure that development, disposal, investment and acquisitions taken forward by the Council realise and maximise the financial and strategic objectives for growth and regeneration.

The Strategic Place Shaping Board applies the direction of the Executive:

- ❖ To establish a Place Shaping Programme comprising projects from: Place Shaping, Leisure, Schools, Investment, Disposal; and Enabling categories;
- ❖ To consider the inclusion of new projects within the Place Shaping Programme;
- ❖ To consider strategic development sites and how these can contribute to place shaping objectives;
- ❖ To drive the implementation of the Place Shaping Programme through weekly meetings;
- ❖ To review a monitoring report on a monthly basis on the financial, legal, commercial (including risk management) and development milestones of the Place Shaping Board Programme to ensure programme delivery;
- ❖ To receive, review and agree Outline Business Cases and (subsequent) Full Business Cases for projects within the Place Shaping Programme prior to Executive or Investment Board approval.
- ❖ To receive and review regular updates from any Place Shaping sub / working groups including the Adult Care (place shaping) working group and Leisure Board.
- ❖ The Place Shaping Programme sponsor is the Corporate Director Place and responsibilities for individual projects will be delegated/allocated to Place Shaping Board members (See below)

## **MEDIUM TERM FINANCIAL STRATEGY**

The objectives and supporting policies of the Medium-Term Financial Strategy (MTFS) are designed to assist the Council in ensuring that the people of Trafford will continue to be provided high performing, efficient and effective services for now and into the future, whilst avoiding unnecessary tax burdens and ensuring best value for money.

These objectives of the MTFS are:

- ❖ To maintain a sustainable financial position that enables the Council to deliver on its key priorities;
- ❖ To make appropriate provision in the budget so that it keeps pace with demand;

- ❖ To strive to keep council tax at affordable levels whilst delivering value for money services;
- ❖ To ensure that the both its limited capital and revenue resources are allocated to those activities which contribute most to improved outcomes for local people.

## **ASSET MANAGEMENT PLANS**

The Council has historical data on both the property and highways infrastructure portfolios to assess the condition and backlog maintenance.

The condition data and backlog maintenance requirements identified in the asset management plans for corporate property, schools and highways infrastructure are then used to determine the priorities for investment to ensure statutory compliance along with improving the assets.

These plans set out the current and longer-term condition of Trafford's infrastructure and provide information on the 10-20 year requirements of these assets, which informs the decisions made on capital investments plans into the future.

## **ASSET INVESTMENT STRATEGY**

The Council's Asset Investment Strategy, which was originally drafted in September 2017, has been reviewed in order to better align with Council's strategic priorities and values, protect against near-term market uncertainty and incorporate recent guidance on Local Authority finances. The primary objective of the Asset Investment Strategy is to promote the Council's 3 Strategic Priorities while creating a suitable income stream to support frontline services. The Council will also ensure that future investments are in keeping with the Council's objective and policies around environmental sustainability.

As part of the decision making process an Investment Management Board (IMB) has been established to oversee the approval of new acquisitions and to undertake a performance management role. This process is supported by independent external advice on each acquisition and also a robustness statement from the Director of Finance and Systems. The Investment Management Board is a cross-party decision making board consisting of:

- ❖ Leader of the Council
- ❖ The Chief Executive
- ❖ Leader of the Green Party Group
- ❖ Leader of the Conservative Group
- ❖ Leader of the Liberal Democrat Group
- ❖ Executive Member for Finance and Governance
- ❖ Executive Member for Economy and Regeneration
- ❖ Executive Member for Housing and Neighbourhoods

The financial performance of the investment portfolio and of each property within the portfolio is measured and reported on a bi-monthly basis by an officer group to the Executive. Annual reviews of external revaluations and net yield generated are undertaken with a view to making

recommendations concerning sales or purchases and any amendments to the adopted strategy to ensure that the main objective continues to be achieved.

In November 2019 CIPFA issued revised guidance around councils' commercial investment activity which has been reviewed and will be taken into account when considering future opportunities. This includes assessing the proportionality of the size of the Council investment portfolio, the appropriateness of any investments and the Council's legal powers that allow it to invest. Further information on the proportionality of the portfolio is included in this report in Appendix 3 as part of the Prudential and Local Indicators.

## **TREASURY MANAGEMENT**

The Council also produces a Treasury Management Strategy which is approved by full Council annually as part of the budget setting process.

The Treasury Management Strategy aims to maximise investment interest whilst minimising risk to the Council. The main objective surrounding the Council's investment criteria is security of capital first, liquidity of its cash flows and finally yields.

The Strategy takes account of the Council's capital expenditure plans and ensures that any borrowing requirement to fund these plans remains robust, prudent, affordable and sustainable.

There are close links between the Capital Strategy and Treasury Management Strategy with the Capital Strategy determining the borrowing need of the Council. The take up of debt is done in accordance with the Treasury Management Strategy which involves arranging long or short-term loans or using longer term cash flow surpluses. On occasion any debt previously drawn may be restructured to meet Council risk or cost objectives. The Council makes provision for the repayment of debt over the life of the asset that the borrowing is funding.

## **CAPITAL RESOURCES**

### **External Resources**

External resources available to support the Capital Programme are received from a number of sources. These include grants from government bodies, statutory and other developer contributions (e.g., S.106) and partner contributions from bodies interested in specific projects. These resources can be very specific with little, if any, discretion on how they can be applied.

### **Internal Resources**

The restrictions on the ability to apply external resources to specific schemes means that only internal resources are available for application on discretionary investment. Internal resources mainly comprise **prudential borrowing** and **capital receipts** from the sale and development of council assets as included in the Strategic Land Review Programme.

## **Prudential Borrowing**

Prudential Borrowing is an alternative way of financing capital expenditure. In considering the use of borrowing to support its capital investment proposals the Council must show how stewardship, value for money, prudence, sustainability and affordability can be demonstrated. Examples of schemes that would be appropriate for this type of financing include:

- ❖ Invest to save schemes
- ❖ Investing in income generation schemes

Generally, a scheme will only be considered for Prudential Borrowing if the impact on the revenue budget is at least neutral and the scheme has gone through the capital prioritisation and appraisal process. This will ensure that the scheme will contribute to the delivery of council objectives, whilst not placing any additional pressure on the council tax. This process will take account of the risk associated with changes in interest rates (for example, in recent years government borrowing rates have been amended overnight).

A significant proportion of Council borrowing is linked to the Asset Investment Strategy, which generates a financial return to the Council above the borrowing cost and a lot of the schemes are asset backed.

The Council is required to set prudential indicators, supplemented by local indicators, in accordance with the CIPFA Prudential Code which are designed to support and record decisions taken on affordability, sustainability and professional good practice and these are included within the annual capital budget setting report and approved by full Council.

## **Capital Receipts**

Capital receipts are the income the Council receives from the sale of surplus assets. In line with the Local Government Act 2003 these can only be applied to support capital expenditure, or to repay debts or other liabilities.

Traditionally local authorities have maintained a property review and disposal programme to rationalise property holdings and raise capital, but this approach has changed significantly in recent years. The process of review and disposal continues, however rather than the traditional direct sale of surplus assets which only generates a capital receipt the council can also look into direct development which can increase the value of the eventual capital receipt or may produce a revenue stream which can be used to support wider Council objectives.

In order to maximise the returns from these surplus assets the PSB reviews the sites to identify the optimum use for the asset. The result of this review process is an annual Strategic Land Review Programme which reports the delivery method for each site and the potential returns, both capital and revenue, that can be used to support future capital investment and revenue pressures.

## GOVERNANCE FRAMEWORK

It is important given the risks surrounding Capital Projects that the appropriate governance framework is in place hence the following processes are in place:

- ❖ The Capital Strategy itself to be presented annually alongside the Medium-Term Financial Strategy at Council
- ❖ All new bids are prioritised and assessed by the Capital Programme Board and Corporate Leadership Team
- ❖ All schemes and the overall Capital Programme are subject to approval by the Executive within the overall resource envelope agreed by Council.
- ❖ All new investments within the asset investment strategy are approved by the Investment Management Board and/or the Executive (where appropriate).
- ❖ Responsible Officers are assigned projects in line with their responsibilities
- ❖ The Strategic Place Shaping Board is led by the Executive Member for Economy and Regeneration and chaired by the Corporate Director for Place. The group monitors the strategic direction of the council's capital investment plans.
- ❖ The progress of the programme is reported to the Executive on a bi-monthly basis.
- ❖ The Council's Finance Procedure Rules identify the parameters within which officers need to manage capital expenditure
- ❖ Regular budget monitoring meetings are held with Directorate Departmental Management Teams.
- ❖ The Capital Programme is subject to Internal and External Audit Review
- ❖ Scrutiny Committee can call in Executive Decisions.
- ❖ Capital Programme Board chaired by the Corporate Director for Place to support the update of the capital strategy, delivery of the capital programme and assist in the capital bid process.

The Capital Programme is agreed annually by the Executive and Council. The Programme, to assist in planning and delivery of schemes, covers three years. Each year the Executive confirm the next three years' Programme, in light of available resources. If priority schemes come forward but insufficient resources are available, then the opportunity is taken to review the priority of schemes in the Programme that are not contractually committed alongside new proposals. This ensures that the capital resources available to the Council are used as affectively as possible. The overall process will continue to be led by the Council's Financial Management Service.

A de-minimis level of £10,000 exists for capital schemes. Schemes with a lower value are assessed for inclusion into the revenue budget. The only exceptions to this are if the scheme is supported by specific external resources.

As part of the budget process and annual review of the Programme a capital bidding round for those projects requiring support from discretionary resources, i.e., capital receipts and prudential borrowing is undertaken. This includes uncommitted schemes in the existing programme giving priority to: -

- ❖ Support the Medium-Term Financial Strategy (MTFS) by ensuring that capital investment decisions are not taken in isolation from revenue spending with specific emphasis on delivering future savings and income streams capable of supporting the revenue budget.

- ❖ Support investment that attracts additional external funding
- ❖ Protect the Council's asset base including ICT infrastructure
- ❖ Ensure schemes of a health and safety nature are delivered
- ❖ Statutory implications/impact on service delivery;
- ❖ Support achievement of Corporate Objectives and key priorities.

Larger schemes have specific working groups, for example leisure strategy developments. The make-up of the groups include service departments, professional services, legal and finance services to ensure that schemes are progressed, monitored and completed in line with the original objectives. The results and findings of these meetings are reported, on a bi-monthly basis, to Members and Senior Officers. These reports give a progress report on all schemes as well as reporting any amendments to the Capital Programme for scheme slippage and new approvals.

As part of the decision-making process for the Asset Investment Strategy an Investment Management Board has been established to oversee the approval of new acquisitions and to undertake a performance management role. This process is supported by independent external advice on each acquisition and also a robustness statement from the Director of Finance

## **RISK MANAGEMENT AND RELATIONSHIP WITH OTHER PROCESSES**

The Council's management of risk is supported by the following:

- ❖ The Council's risk management strategy and strategic risk register
- ❖ The governance structure and responsibilities, particularly around the Asset Investment Strategy
- ❖ Risk reporting
- ❖ Monitoring and escalation procedures.

Risk is managed both collectively and on an individual basis as required, e.g., the treasury portfolio, asset investment strategy, and place shaping strategy etc.

## **KNOWLEDGE AND SKILLS**

The Capital Programme and Treasury Management Strategy are managed by a team of professionally qualified accountants with extensive Local Government finance experience between them. They all follow a Continuous Professional Development Plan (CPD) and attend courses on an ongoing basis to keep abreast of new developments and skills. The Council's Director of Finance and Systems is the Section 151 Officer and is the officer with overall responsibility for Capital and Treasury activities, who is also a professionally qualified accountant and follows an ongoing CPD programme.

All the Council's commercial projects have project teams from all the relevant professional disciplines from across the Council and, when required, external professional advice is taken.

Internal and external training is offered to members on an annual basis to ensure they have up to date skills to make capital and treasury decisions. A register is also kept on member attendance.



The Council ensures that members are adequately informed at each relevant stage of a project's life cycle.

The Council's Investment Management Board reviews all commercial and investment activity from inception right through to project completion and ongoing performance management and this process is supported by a number of external advisors.

## **PRUDENTIAL CODE**

In September 2021, CIPFA released the second proposed set of changes to the current version of the Treasury Management Code (previously updated in 2017) to all local authorities for consultation and in December 2021 the outcome of this exercise was released in the form of the publication of a revised and updated Code.

The key changes made to the code are highlighted below. All changes to the Code have been considered and implemented where necessary in this Capital Strategy:

- the provisions in the code, which present the approach to borrowing in advance of need in order to profit from additional sums borrowed, have been strengthened. The relevant parts of the code have augmented to be clear that borrowing for debt-for-yield investment is not permissible under the Prudential Code,
- proportionality has been included as an objective in the Prudential Code. New provisions have been added so that an authority incorporates an assessment of risk to levels of resources used for capital purposes,
- Heritage Assets are to be included in the Local Authority's Capital Financing Requirement (CFR) calculations.
- a new requirement has been added so that capital strategies are required to report investments under the following headings: service, treasury management and commercial investments.
- Local Authorities will be required to monitor and report against all forward looking prudential indicators on at least a quarterly basis.
- Authorities which have an expected need to borrow should review options for exiting their financial investments for commercial purposes in their annual treasury management or investment strategies. The options should include using the sale proceeds to repay debt or reduce new borrowing requirements.
- Local Authorities will need to monitor and report on a new Prudential Indicator which reviews net income from commercial and service investments as a percentage of the Authority's net revenue stream. This indicator can be found in Appendix 3.

## **CATEGORISATION OF INVESTMENTS**

The Prudential Code, published by CIPFA in December 2021, requires all Financial Investments and investment income to be allocated to one of the three following categories:

- **'Investments for treasury management purposes'** (or treasury management investments) are those investments that arise from the organisation's cash flows or treasury risk management activity, and

ultimately represent balances which need to be invested until the cash is required for use in the course of business.

- **‘Investments for commercial purposes’** (or commercial investments) are taken or held primarily for financial return and not linked to treasury management activity or directly part of delivering services.
- **‘Investments for service purposes’** (or service investments) are taken or held primarily and directly for the delivery of public services (including housing, regeneration and local infrastructure) or in support of joint working with others to deliver such services.

Unless stated otherwise, all new investments found within this Capital Strategy are considered to be a new Service Investment.

As required by the Prudential Code, as issued by CIPFA in December 2021, all commercial investments held by the Council are reviewed annually for the appropriateness of any potential disposal as an element of the Asset Investment Strategy.

## **PROPORTIONALITY**

The Prudential Code, published by CIPFA in December 2021, requires that capital expenditure plans and investment plans are affordable and proportionate. In addition, that the risks associated with investments for commercial purposes are proportionate to the financial capacity of the Local Authority.

There are three main aspects to proportionality that need to be considered for the Capital Strategy:

- The extent to which the Council’s revenue budget is reliant on income from investments
- Whether any plausible losses associated with any of the Authority’s investments could be absorbed in budgets or reserves without unmanageable detriment to local services.
- The investments included within the Capital Programme are fully funded and proportionate to the benefit provided.

Proportionality for the authority will depend on the risk that the authority is exposed to in relation to its investment portfolio and an indicator has been set, in Appendix 3, for the ratio of commercial income to net service expenditure.

Risk around the investment strategy is assessed when investment options are appraised and approved with appropriate provision being made to mitigate elements of risk, including through the use of the Council’s Risk Reserve.

## **SUMMARY**

The above sets out the Council’s Capital and Asset Investment Strategy, in order to support the Corporate Objectives within an appropriate level of risk management.

# Capital Programme & Prudential Indicators

## CURRENT CAPITAL PROGRAMME

1. The current value of the three-year programme, including re-profiled expenditure from 2021/22 and other changes as reported in the period 8 budget monitoring report to Executive in January 2022 is £481.88m, including £132.24m in 2022/23.
2. The Programme can be split into two distinct areas, firstly the General Capital Programme, worth £226.44m, which aims to ensure that the Council can deliver its services in line with the priorities included within the Capital Strategy and secondly the Asset Investment Strategy, worth £255.44m, which has been set to support regeneration in the borough and also generate income streams which will support the revenue budget for years to come. These two elements are shown in the table below and are included in this report as:
  - Section 1: General Capital Programme
  - Section 2: Asset Investment Strategy

<b>Table 1 - Capital Investment Programme 2022/23</b>	<b>2022/23 £m</b>	<b>2023/24 £m</b>	<b>2024/25 £m</b>	<b>Total £m</b>
<b>Service Analysis:</b>				
Children's Services	15.76	29.34	2.84	47.94
Adult Social Care	3.82	4.14	2.47	10.43
Place	44.48	78.44	40.26	163.18
Governance & Community Strategy	0.05	0.00	0.00	0.05
Finance & Systems	1.95	2.79	0.10	4.84
<b>General Programme Total</b>	<b>66.06</b>	<b>114.71</b>	<b>45.67</b>	<b>226.44</b>
Asset Investment Strategy	66.18	109.09	80.17	255.44
<b>Total Programme</b>	<b>132.24</b>	<b>223.80</b>	<b>125.84</b>	<b>481.88</b>
<b>Resourcing:</b>				
Capital Grants	47.42	70.83	9.83	128.08
External contributions	3.05	4.80	1.40	9.25
Reserves & revenue	2.30	1.29	0.00	3.59
Borrowing	74.69	138.81	108.10	321.60
Receipts – Strategic Land Review	2.25	5.44	8.29	15.98
<b>Resourcing total</b>	<b>129.71</b>	<b>221.17</b>	<b>127.62</b>	<b>478.50</b>
<b>Surplus / (Deficit)</b>	<b>(2.53)</b>	<b>(2.63)</b>	<b>1.78</b>	<b>(3.38)</b>

## **SECTION 1 - GENERAL CAPITAL PROGRAMME**

### **CURRENT 2022/23 PROGRAMME**

3. The current forecasted expenditure for the general Capital Programme for 2022/23 to 2024/25 is £226.44m of which £66.06m relates to 2022/23 and will deliver a number of key projects including:-
- School Places and condition works of £13.46m
  - SEND works of £1.83m
  - Children's Service's works including foster car accommodation of £0.47m
  - Adult Social Care of £3.82m
  - Corporate landlord investment of £1.21m
  - Decarbonisation Programme of £2.77m
  - Town centre regeneration and investment of £9.63m
  - Leisure Centre Strategy including Decarbonisation works of £4.23m
  - Outdoor Sports Facility Provision of £1.66m
  - Highway's improvements of £22.48m
  - Parks and Open Space improvements of £1.34m
  - ICT investment of £1.95m
  - Other investment of £1.21m

### **BUDGET PROCESS**

4. As part of the budget process this year, the Programme has been reviewed to ensure it continues to meet Council priorities and remains affordable within the level of resources available; this has involved: -
- Undertaking a capital bidding round for those projects requiring discretionary support in the next three years, i.e., capital receipts and prudential borrowing. This included uncommitted schemes in the existing programme. The bids were then considered based on a number of factors including: -
    - Supporting the Medium-Term Financial Strategy (MTFS) with emphasis on delivering future savings and income streams;
    - Supporting investment that attracts additional external funding.
    - Protect the Council's asset base including ICT infrastructure;
    - Ensure schemes of a health and safety nature are delivered;
    - Statutory implications/impact on service delivery;
    - Council objectives and priorities;
    - Capacity to deliver the volume of work included in the programme (minimising potential slippage);
    - Availability of resources
  - A full review of all bids was undertaken by the Capital Programme Board and then Corporate Leadership Team, with bids prioritised and approved based on the capital strategy and available funding by the Executive.
  - An update to the level of all capital resources available to support the new programme.
  - Identifying those schemes that can be financed from external contributions.

## CAPITAL RESOURCES UPDATE 2023/26

5. A review of capital resources was undertaken to determine the amount available to fund the three-year 2023/26 general Capital Programme. This indicates total available resources of £195.64m as follows:

<b>Table 2 – Available Resources</b>	<b>2023/26 Total £m</b>
Capital Grants	109.76
External contributions	9.13
<b>External Resources</b>	<b>118.89</b>
Reserves & revenue	1.57
Borrowing	63.93
Available Receipts – Strategic Land Review and other	11.25
<b>Internal Resources</b>	<b>76.75</b>
<b>Resourcing Total*</b>	<b>195.64</b>

### External Resources

6. External resources available to support the Capital Programme are received from a number of sources. These include grants from government bodies, statutory and other developer contributions (e.g. S.106) and partner contributions interested in specific projects. These resources can be very specific with little, if any, discretion on how they can be applied.
7. **Capital Grants - £109.76m:** These include grants from central government departments and agencies and the major areas include: -
- **£24.68m** for schools related investment for Schools from the Department for Education.
  - **£8.73m** from the Department for Education create places and to improve facilities for pupils with special educational needs and disabilities (SEND).
  - **£8.98m** from the Department for Levelling Up, Housing and Communities for disabled facilities grants
  - **£13.66m** from Department for Levelling Up, Housing and Communities for Future High Streets Fund to support work in Stretford
  - **18.28m** from Department for Levelling Up, Housing and Communities for works at Partington Leisure Centre
  - **£9.74m** from the Department of Transport to support investment in highways and infrastructure
  - **£1.22m** from Homes England to support infrastructure improvements
  - **£5.70m** from Transport for Greater Manchester to assist with infrastructure schemes.
  - **£15.80m** from the Mayors Challenge Fund for improving the network for pedestrians and cycle users.
  - **£2.97m** from Department Levelling Up, Housing and Communities for the Local Authority Housing Fund.
8. **External Contributions - £9.13m:** These include contributions from public bodies and private contributions
- **£1.55m** from the Football Foundation to assist in improving football facility provision

- **£0.46m** from Lawn Tennis Association to support Parks Tennis Court Programme
- **£1.4m** from Sport England to support works Altrincham Leisure Centre (subject to approval)
- **£1.25m** of external contributions from various organisations to support works at Partington Sports Village
- **£0.59m** from Section 106 Contributions towards Longford Park HLF bid.
- **£0.19m** contribution towards Longford Stadium track resurface
- **£2.27m** of Section 106 Contributions towards Public Realm schemes in Altrincham and Stretford
- **£0.29m** of Section 106 Contributions towards open spaces schemes
- **£1.13m** being a number of smaller contributions towards a variety of schemes

### **Internal Resources**

9. The restrictions on the ability to apply external resources to specific schemes means that only internal resources are available for application on discretionary investment. Internal resources mainly comprise prudential borrowing and capital receipts.

### **10. Prudential Borrowing - £63.93m:**

- In February 2022, the Council approved a borrowing envelope of £46.1m to support the leisure centre redevelopment programme, to date £18m of borrowing has been allocated to Altrincham Leisure centre, which is currently going through final phase of procurement, with the business case already approved by the Executive. In addition, borrowing has been committed to support the match funding requirement of the successful levelling up bid for Partington sports village of £1.17m. Since agreeing the strategy the level of available receipts to support the redevelopment has reduced as more receipts have been required to support the general capital programme; to maintain the original resource envelope of £521.1m it is proposed to increase the level of prudential borrowing for the total scheme by £3.5m to £49.6m, inclusive of elements committed in the current programme. Future phases of the strategy will be subject to further Executive approvals and business cases which will only be progressed within the resources available within the Council's approved budget framework.
- Significant investment to manage the condition and prevent deterioration of the highways network is required on an ongoing basis. Additional resources of £2.1m of borrowing have been committed towards the highways network funded through a number of revenue budgets identified
- The Council has been awarded £2.97m from Department Levelling Up, Housing and Communities for the Local Authority Housing Fund with the objective to provide long term sustainable accommodation for Ukraine and Afghan families. This amounts to 40% of the funding with a requirement for 60% match funding from the housing provider. The Council is to review options for delivery which, subject to business case, will require additional prudential borrowing of £4.45m. Borrowing is anticipated to be funded through net rental stream created from the properties acquired or brought back into use.

- Previously approved borrowing £9.66m is still required and will support such areas as New Chapel and Resomation Cremators, Strategic investments at Manchester Airport and previously approved support across the wider programme.

11. **Reserves and Revenue – £1.57m:** There are currently a range of projects supported by the application of reserve including:

- **£1.34m** for investment highways network, including £1.01m to support an additional £3m of highways investment over and above that supported by external grant in 2023/24
- **£0.02m** for Allotment infrastructure
- **£0.08m** for ICT schemes
- **£0.13m** for the provision of artificial sports surface replacement

12. **Capital Receipts – £11.25m :** A review of the sites included in the current Strategic Land Review Programme has been undertaken along with other potential receipts and an estimate for 2025/26 has been built into this programme. The Strategic Land Review Programme is a subject of a further report to the Executive. Total capital receipts over the next three years are expected to be £14.03m, this includes £9.57m from the sites that have been identified for self-development by the Council. Of the total receipts, £2.78m is required to support a funding shortfall in 2022/23, giving a balance of £11.25m available to support the 2023/26 programme.

13. In December 2017, the Secretary of State announced the continuation of the capital receipts flexibility programme, which provides Local Authorities the freedom to use capital receipts generated from the sale of assets (with the exception of right to buy disposals) to fund revenue costs arising from transformational revenue projects that deliver savings. It is proposed that the Council agree “flexible use of capital receipts” to support the cost of Modernisation team to the sum of £0.85m in 23/24 and an additional £0.85m in 24/25 totalling £1.7m, the team will be involved in developing the Council’s Finance and Change Programme targeted at delivering sustainable savings of £11.8m to support the revenue budget over the medium term.

14. The following table gives the current position of capital receipts for 2023/24 to 2025/26

<b>Table 4: Capital Receipts</b>	<b>2023/24</b> £m	<b>2024/25</b> £m	<b>2025/26</b> £m	<b>Total</b> £m
Land Sales	5.76	1.57	-	7.33
Self-development Returns	-	5.52	4.05	9.57
<i>Less costs:</i>				
Flexible Use Strategy	(0.85)	(0.85)		(1.70)
Disposal costs / MRP allowance	(0.37)	(0.40)	(0.40)	(1.17)
<b>Total Estimated Receipts</b>	<b>4.54</b>	<b>5.84</b>	<b>3.65</b>	<b>14.03</b>
Amount required to support estimated deficit in 2022/23 *	(2.78)	-	-	(2.78)
<b>Net receipts available to support 2023/26 capital programme</b>	<b>1.76</b>	<b>5.84</b>	<b>3.65</b>	<b>11.25</b>

\*This figure is reflective of the changes made to the current programme to arrive at the indicative budget proposals set out for approval in this report

## INDICATIVE CAPITAL PROGRAMME 2023/2026

15. The value of the indicative three year general Capital Programme is £199.16m, a summary is shown in the table below, with detailed analysis shown in Annex A. The capital programme will be reviewed and updated in the monitoring reports to Executive throughout the year.

<b>Table 5: Capital Programme and funding</b>	<b>Budget 2023/24</b>	<b>Budget 2024/25</b>	<b>Budget 2025/26</b>	<b>Budget Total</b>
<i><b>Investment:</b></i>	£m	£m	£m	£m
Children's Services	18.07	15.22	2.84	36.13
Adult Social Care	4.14	2.47	2.47	9.08
Place	66.62	45.85	36.06	148.53
Finance & Systems	2.66	2.26	0.50	5.42
<b>General Programme Investment</b>	<b>91.49</b>	<b>65.80</b>	<b>41.87</b>	<b>199.16</b>
<i><b>Funding:</b></i>				
Grants	53.51	44.28	11.97	109.76
External Contributions	4.38	4.16	0.59	9.13
Revenue & reserves	1.55	0.02	0	1.57
Prudential Borrowing	26.57	12.05	25.31	63.93
Capital Receipts available	1.76	5.84	3.65	11.25
<b>Total Funding</b>	<b>87.77</b>	<b>66.35</b>	<b>41.52</b>	<b>195.64</b>
<b>Surplus / (Deficit)</b>	<b>(3.72)</b>	<b>0.55</b>	<b>(0.35)</b>	<b>(3.52)</b>

16. In the event that in year there may be the requirement to undertake some temporary borrowing whilst this would create an additional cost of the revenue budget, regular monitoring will be undertaken through Capital Programme board to mitigate the risk of this happening.

17. Appendix 4 is a specific list of the schemes that require approval in 2023/24 for the areas of the programme covering:

- Public Building Repairs and Compliance Programme
- Integrated Transport Programme
- Highways Structural Maintenance (including street lighting)
- Park and Play Area Infrastructure

18. **Public Building Repair and Compliance Programme** – The three-year programme of schemes suitable for capital funding and part of the maintenance and repair programme are assessed by surveyors and categorised in terms of priority. The programme prioritises works (category 1) required to:

- Address Safety Issues
- Negate higher repair maintenance bills in the future

19. **Integrated Transport Programme** – The programme of schemes to be undertaken in 2023/24 has been compiled in line with the adopted Highways Infrastructure Asset Management Plan (HIAMP). The proposed schemes cover the following areas:



- Collision Analysis
- Dropped crossing programme
- Minor/Medium Traffic Management schemes
- Traffic Regulation Order Programme
- Disabled Parking Spaces

20. **Highways Structural Maintenance** – The programme of schemes to be undertaken in 2023/24 has been compiled in line with the adopted HIAMP. The rationale for investment in roads and bridges is threefold:

- through resident surveys, “better roads and pavements” are consistently cited as one of the top service areas that residents and businesses wish to see supported.
- roads and bridges are a vital part of ensuring economic growth in the area, providing access to education and recreation for residents and revitalisation of town centres.
- to reduce the deterioration rate of the highway asset, there must be continual investment in maintenance.

21. To ensure the available funding is used optimally, the Integrated Transport and Highways Structural Maintenance programmes are the result of an analysis of condition survey data by officers, in conjunction with feedback from Elected Members, communities, businesses, residents, schools, and focus groups such as the Trafford Cycle Forum.

22. **Greenspace Programme** – The Council’s greenspace resource is required in order to meet the objectives of Trafford’s Greenspace Strategy. The list of proposed schemes and associated budget allocations have been developed following independent ROPSA surveys of the equipment and inspection results in the form of:

- Parks infrastructure audit.
- Trafford Countryside Management Partnership infrastructure audit.
- Play Areas annual safety inspection and infrastructure audit.

## SECTION 2 – THE ASSET INVESTMENT STRATEGY

23. The Council on the 26th July 2017 approved a summary Investment Strategy, and the establishment of the Investment Management Board (IMB) to oversee implementation of the Strategy. The overall objective of the strategy is:

“To promote Trafford Council’s strategic priorities while creating a suitable income stream to support local services”.

24. The strategy is reviewed, updated as necessary, and approved by the Council annually. The updated strategy is found in Appendix 5.

25. In February 2020 approval was given to increase the Asset Investment Strategy to £500m, supported by prudential borrowing, to support the Council’s Investment Strategy. The value of the strategy is reviewed annually to ensure that it is set at an appropriate level to cover the commitments and provide a reasonable level of head room. This review has been considered by the Scrutiny Committee as part of their review of the budget and is satisfied that it is appropriate to maintain the fund at its current level of £500m. The transactions that have been agreed by the Investment Management Board to date have a total current committed cost of £297.48m. This means the balance of the approved £500m which is available for further investment is £202.52m. (table 6 below)

26. This investment to date has already has provided a net benefit to support the revenue budget in 2018/19 of £1.67m, £3.12m in 2019/20, £6.37m in 2020/21, £6.48m in 2021/22 and is forecast to provide £5.34m in 2022/23.

27. In 2023/24, the targeted net income for the Strategy is £6.06m. This target will require the Council to build upon the investments it has made to date to generate additional income, while ensuring that any new investments are compliant with the Investment Strategy and supports the Council’s Corporate Priorities. To assist with achieving this target, as investments are sold or recouped, the funds will be recycled into new investments.

28. The current level of commitment for the investments identified stands at £60.97m and relates to:

- a. Further development work at the K-Site (Lumina Village), Stretford. The purchase of this site was completed in April 2018 and a joint venture company with Bruntwood was set up to progress the development of the site. Works on the university are now complete with the first intake of students in September 2019. The joint venture is now progressing development for the remainder of the site.
- b. The cost of acquisition and planned residential development of the Sale Magistrates Court site is included within the Investment Strategy. The cost of development will come from the Investment Strategy funds, to be repaid by sales from the site, with any surplus used to support the Council’s Capital Programme.
- c. The committed costs against the GMP Site, on Chester Road in Old Trafford, represent feasibility work being carried out, alongside the GMCA, to assess a potential residential scheme on the site.
- d. A commitment of £16m has been made in respect of the redevelopment of the Stamford Quarter in Altrincham. This investment is split between an £8m equity investment into a Joint Venture with Bruntwood Ltd, and a debt facility of £8m provided to the Council’s JV partners, Bruntwood. This investment will allow vacant retail units to come back into use through the conversion to alternative uses, such as offices, co-working spaces, or leisure.

- e. The Strategy is providing a number of debt facilities funded from PWLB borrowing. The provision of these facilities was approved by the Investment Management Board as compliant with the Investment Strategy objective of delivering a financial return to support the Council's revenue budget in addition to providing regeneration to the wider Greater Manchester area:
- £31.0m to a developer for the construction of a new residential development at Castle Irwell, Salford. Phase one of the development has now completed, with related funds repaid to the Council. Phase two is underway with a maximum commitment of £12m.
  - £4.6m in respect of a residential development and provision of a new community facility in Hale Village associated with the current library site.
  - A debt facility of £27m at Sunlight House, in Manchester City Centre, to allow for the refurbishment to the Grade II listed building; providing regional regeneration and a revenue return to fund front line services.
  - A loan of £23.25m to Network Space Developments, which will be used to facilitate the construction of the Broadheath Network centre, 205,000 sq. ft of modern industrial accommodation.
29. Included in the 'Prior Years' Spend' on the table are costs listed under Property Development these costs relate to feasibility work that has been undertaken to progress future developments. Once the feasibility work is completed, any approved schemes will be brought forward and the costs included within the Asset Investment Strategy envelope. Future schemes being evaluated includes the Jubilee Centre, Bowdon, and Stokoe Avenue, Altrincham.
30. In addition to the capital commitments listed in the following table, the Investment Management Board has also approved the Council to provide a debt facility of £17.62m secured against a portfolio of properties in Manchester City Centre, known collectively as Albert Estate. This facility is funded through surplus cash balances and so is a part of the Council's Treasury Management Strategy, rather than a capital investment. In April 2022, £5.68m was repaid by the borrower, reducing the facility to £12.01m.

<b>Table 6: Asset Investment Strategy</b>	<b>Prior Years Spend</b> £m	<b>Repayments</b> £m	<b>Actual Spend 2022/23</b> £m	<b>Commitments</b> £m	<b>Total</b> £m
<b>Total Investment Fund</b>					<b>500.00</b>
<b>Property Purchase:</b>					
Sonova House, Warrington	12.17	-		-	12.17
DSG, Preston	17.39	-		-	17.39
Grafton Centre incl. Travelodge Hotel, Altrincham	10.84	-		-	10.84
The Fort, Wigan	13.93	-		-	13.93
Sainsbury's, Altrincham	25.59	-		-	25.59
<b>Sub Total</b>	<b>79.92</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>79.92</b>
<b>Property Development:</b>					
Sale Magistrates Court	5.32	-	0.09	0.64	6.05
Brown Street, Hale	9.01	(6.12)	0.10	-	2.99
Former sorting office, Lacy Street, Stretford	0.90	-	-	-	0.90
GMP Site, Chester Road, Old Trafford	-	-	-	0.64	0.64
Care Home Purchase & Remediation	2.31	-	0.10	0.62	3.03
Tamworth	0.13	-	-	0.26	0.39
Various Development Sites	0.33	-	0.18	-	0.51
<b>Sub Total</b>	<b>18.00</b>	<b>(3.34)</b>	<b>0.35</b>	<b>2.16</b>	<b>17.07</b>
<b>Equity:</b>					
Stretford Mall, Equity	8.82	-	-	-	8.82
Stamford Quarter, Equity	16.97	-	1.49	6.76	25.22
K Site, Stretford Equity	11.21	-	0.03	1.01	12.25
<b>Sub Total</b>	<b>37.00</b>	<b>-</b>	<b>1.52</b>	<b>7.77</b>	<b>46.29</b>
<b>Development Debt:</b>					
Bruntwood; K site	11.11	-	0.03	1.11	12.25
Bruntwood; Stamford Qtr/Stretford Mall	25.82	-	1.49	6.75	34.06
CIS Building, Manchester	60.00	(25.80)		-	34.20
Castle Irwell, Salford	18.70	(19.55)	0.85	-	-0.00
Castle Irwell, Salford – Phase 2	3.74	-	7.15	0.25	11.41
Hale Library	1.29	-	2.19	1.12	4.60
Network Space, Broadheath	-	-	6.69	14.81	21.50
Sunlight House	-	-	-	27.00	27.00
<b>Sub Total</b>	<b>120.66</b>	<b>(45.35)</b>	<b>18.40</b>	<b>51.04</b>	<b>144.75</b>
<b>Total Capital Investment</b>	<b>255.58</b>	<b>(51.47)</b>	<b>20.39</b>	<b>60.97</b>	<b>285.47</b>
Albert Estate Investment	17.62	(5.61)		-	12.01
<b>Total Investment</b>	<b>273.20</b>	<b>(58.08)</b>	<b>20.39</b>	<b>60.97</b>	<b>297.48</b>
<b>Balance available</b>					<b>202.52</b>

## PRUDENTIAL AND LOCAL INDICATORS

33. The Council is required to set indicators that are designed to support and record decisions taken on affordability and sustainability. There is also a requirement to impose *limits* on the Council's treasury management activities to ensure decisions are made in accordance with professional good practice and risks are appropriate (these are included in the Treasury Management Strategy Report). The Director of Finance and Systems will monitor these and report on them at appropriate times. The Council can revise these indicators and limits at any time.
34. All the indicators take account of the proposals in this report and a list of Prudential and Local Indicators is included at Appendix 3.

## RECOMMENDATIONS

That the Executive approve the:-

- Capital Programme as detailed in Appendix 2 of the report;
- Schemes to be undertaken from the "block" budget allocations reported in paragraph 19 and detailed Appendix 4.

That Executive recommends the Council to approve:-

- the Capital Strategy as included at Appendix 1;
- the overall Capital Programme in the sum of £388.42m for the period 2023/26, comprising £199.16m in respect of the General Capital Programme and £189.26m for the Investment Strategy,
- addition prudential borrowing of £3.5m to support the leisure strategy as detailed in paragraph 12
- additional prudential borrowing of £4.45m to support Local Authority Housing Fund match funding element subject to approval of full business case and delivery model as detailed in paragraph 12,
- the Prudential and Local Indicators as set out at Appendix 3 of this report.
- the asset investment strategy included in Appendix 5
- the flexible use of capital receipts strategy as detailed in paragraph 16.

2023/2026 INDICATIVE CAPITAL PROGRAMME				
	2023/24	2024/25	2025/26	Total
DESCRIPTION	£m	£m	£m	£m
<b>Schools</b>				
Basic Need – School Places	2.63	7.15	0.00	9.78
Firs Primary School	0.39	0.00	0.00	0.39
Willows Primary School	1.52	0.00	0.00	1.52
Templemoor Infant School	2.38	0.00	0.00	2.38
Moorlands Junior School	2.17	0.00	0.00	2.17
School Access Initiative	0.05	0.00	0.00	0.05
Devolved Formula Capital	0.62	0.37	0.36	1.35
Capital Maintenance Grant	4.27	2.47	2.48	9.22
SEND Capital	3.49	5.23	0.00	8.72
<b>Sub-total</b>	<b>17.52</b>	<b>15.22</b>	<b>2.84</b>	<b>35.58</b>
<b>Children's Services</b>				
Foster Carers – Adaptations to Registered Social Landlord Properties	0.35	0.00	0.00	0.35
Children Services – Data Capture	0.20	0.00	0.00	0.20
<b>Sub-total</b>	<b>0.55</b>	<b>0.00</b>	<b>0.00</b>	<b>0.55</b>
<b>Adults Social Care</b>				
Disabled Facility Grants	4.04	2.47	2.47	8.98
Assistive Technology/Technology Innovation	0.10	0.00	0.00	0.10
<b>Sub-total</b>	<b>4.14</b>	<b>2.47</b>	<b>2.47</b>	<b>9.08</b>
<b>Place</b>				
Town Centres Loans Fund	0.07	0.07	0.07	0.21
Altrincham Town Centre – Public Realm	0.77	0.00	0.00	0.77
Stretford Town Centre – Public Realm	0.00	1.50	0.00	1.50
Greater Manchester Full Fibre	0.07	0.00	0.00	0.07
Manchester Airport – Project Mere	0.00	3.26	0.00	3.26
Future High Street Fund	12.66	1.00	0.00	13.66
Public Building Repairs & Compliance Prog – Appendix 4	0.46	0.49	0.40	1.35
Sale Waterside/ Trafford Town Hall Improvements incl Update Working Arrangements	0.38	0.00	0.00	0.38
Watling Gate – Preservation/Conservation	0.16	0.00	0.00	0.16
Estates Savings Requirements	0.14	0.50	0.00	0.64
Corporate Building Security Review	0.20	0.00	0.00	0.20
Install UPS and Fuel Fill Point at Trafford Town Hall	0.02	0.00	0.00	0.02
Altrincham Leisure Centre	15.06	4.02	0.00	19.08
Leisure Strategy – Refurbishment and Essential Works	1.21	3.38	26.79	31.38
Partington Sports Village – Levelling Up Fund	2.87	13.89	3.95	20.71
Football Facility Provision	1.80	0.00	0.00	1.80
Longford Park Sports – Track Replacement	0.53	0.00	0.00	0.53
Parks - Tennis Courts Programme (indicative budget level dependant on amount of external funding)	0.47	0.00	0.00	0.47
New Chapel and Installing Resomation cremators	0.00	1.20	0.75	1.95
Integrated Transport Schemes – Appendix 4	0.77	0.00	0.00	0.77
Mayors Cycling and Walking Challenge Fund	8.00	7.80	0.00	15.80
	<b>2023/24</b>	<b>2024/25</b>	<b>2025/26</b>	<b>Total</b>

	£m	£m	£m	£m
Residents Parking Scheme	0.10	0.00	0.00	0.10
Boroughwide – Boundary / Village Entry Signs	0.09	0.00	0.00	0.09
Electric Vehicle Charging Points	0.25	0.25	0.00	0.50
Active Travel	0.38	0.00	0.00	0.38
Moving Traffic Offences - Boroughwide Cameras	0.17	0.15	0.15	0.47
Tree Unit - Insurance Audit IT requirements	0.04	0.00	0.00	0.04
Highways Structural Maintenance – Appendix 4	5.17	2.60	2.60	10.37
Surface Dressing & Treatment Programme	3.00	0.00	0.00	3.00
CRSTS - Key Route Network Programme	1.00	0.00	0.00	1.00
Highways Tree Programme	0.05	0.00	0.00	0.05
Park Map - ICT Upgrade	0.02	0.00	0.00	0.02
Street Lighting	0.50	0.30	0.30	1.10
Electric Street Furniture Replacement	0.05	0.00	0.00	0.05
Bridge Assessments and Strengthening – Appendix 4	0.55	0.20	0.20	0.95
Carrington Junction and Relief Road – Appendix 4	1.50	4.60	0.00	6.10
Parks Infrastructure – Appendix 4	0.15	0.10	0.10	0.35
Play Area Refurbishment – Appendix 4	0.10	0.10	0.10	0.30
Longford Park, Stretford: Heritage Lottery Fund Bid	0.15	0.15	0.59	0.89
Support incl Section 106				
Allotments Infrastructure Programme	0.02	0.00	0.00	0.02
Green Flag Parks - Rainwater Harvesting	0.04	0.04	0.04	0.12
Parks & Open Space, Outdoor Sports & City Of Trees – S.106 Funded	0.00	0.23	0.00	0.23
Assistance to Owner Occupiers	0.01	0.01	0.01	0.03
Housing Standards / Empty Property Initiatives	0.01	0.01	0.01	0.03
Local Authority Housing Fund	7.42	0.00	0.00	7.42
Affordable Housing Fund	0.05	0.00	0.00	0.05
CCTV Cameras – Fly-tipping Prevention	0.16	0.00	0.00	0.16
<b>Sub-total</b>	<b>66.62</b>	<b>45.85</b>	<b>36.06</b>	<b>148.53</b>
<b>Finance &amp; Systems</b>				
SAP Systems Landscape - Upgrades	0.00	0.22	0.00	0.22
Systems & Data Architecture	0.09	0.00	0.00	0.09
Digital Inclusion	0.04	0.00	0.00	0.04
Development / Low Code Solution	0.11	0.00	0.00	0.11
CRM - Update/Replacement	1.40	0.10	0.00	1.50
Digital and Hardware Investment	0.20	0.30	0.00	0.50
Device Replacement Programme	0.00	0.50	0.50	1.00
Managed Print Service	0.23	0.00	0.00	0.23
Content Management System	0.00	0.14	0.00	0.14
Local Full Fibre Networks WAN Interconnections	0.04	0.00	0.00	0.04
SAP migration and Landscape	0.01	0.00	0.00	0.01
Unsupported Server O/S Migration	0.11	0.00	0.00	0.11
Network Replacement	0.00	0.55	0.00	0.55
I Trent Replacement	0.00	0.27	0.00	0.27
Information Management Services for Regulatory Services	0.43	0.18	0.00	0.61
<b>Sub-total</b>	<b>2.66</b>	<b>2.26</b>	<b>0.50</b>	<b>5.42</b>
<b>GENERAL PROGRAMME TOTAL</b>	<b>91.49</b>	<b>65.80</b>	<b>41.87</b>	<b>199.16</b>
Asset Investment Strategy	109.09	66.59	13.58	189.26
<b>TOTAL INVESTMENT</b>	<b>200.58</b>	<b>132.39</b>	<b>55.45</b>	<b>388.42</b>

## Prudential Indicators – 2023/24

The Prudential Code for Capital Finance in Local Authority was reviewed and updated following a consultation with Local Authorities in December 2021. The Code requires that the Council report and monitor Prudential Indicators on at least a quarterly basis during the financial year. These indicators are designed to support and record local decision making in a manner that is publicly accountable.

These indicators are approved and set by the Council in February each year as part of the wider budget setting process.

The prudential indicators cover the three areas in which the Council is required to report and monitor:

### Capital expenditure indicators:

- **Estimates of capital expenditure;** Total capital expenditure for previous financial year and estimates of spend for the following three years..
- **Estimates of capital financing requirement;** this reflects the estimated need to borrow for capital investment (i.e. the anticipated level of capital expenditure not financed from capital grants and contributions, revenue or capital receipts).



Prudential Indicators 2023 to 2026	2022/23	2023/24	2024/25	2025/26
	£m	£m	£m	£m
<b>Capital Expenditure</b>				
Capital expenditure - General Programme	66.06	91.49	65.80	41.87
Capital expenditure - Investment Strategy	66.18	109.09	66.59	13.58
<b>Capital expenditure - Total</b>	<b>132.24</b>	<b>200.58</b>	<b>132.39</b>	<b>55.45</b>
<b>Capital Financing Requirement (CFR)</b>	<b>447.65</b>	<b>579.09</b>	<b>653.12</b>	<b>687.26</b>

### External debt indicators

- **Authorised limit for external debt;** This is a key prudential indicator and represents a control on the maximum level of external debt that the Council will require for all known potential requirements. It includes headroom to cover the risk of short-term cash flow variations that could lead to temporary borrowing and any potential effects arising from bringing “off balance sheet” leased assets onto the balance sheet in compliance with IFRS 16.
- **Operational boundary for external debt;** calculated on a similar basis as the authorised limit but represents the likely level of external debt that may be reached during the course of the year and is not a limit
- **Gross debt and the capital financing requirement;** The Council needs to ensure that its gross 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 2022/23 and the following two financial years. This allows some flexibility for limited early borrowing for future years but ensures that borrowing is not undertaken for revenue or speculative purposes.

Prudential Indicators 2023 to 2026	2022/23	2023/24	2024/25	2025/26
	£m	£m	£m	£m
<b>External Debt</b>				
Authorised limit for external debt - Capital Programme	220.00	240.00	250.00	260.00
Authorised limit for external debt - Investment Strategy	275.00	375.00	450.00	475.00

Authorised limit for external debt - Other long term liabilities	3.80	3.40	3.00	2.60
<b>Authorised limit for external debt - Total</b>	<b>498.80</b>	<b>618.40</b>	<b>703.00</b>	<b>737.60</b>
Operational boundary for external debt - Capital Programme	200.00	220.00	230.00	240.00
Operational boundary for external debt - Investment Strategy	275.00	375.00	450.00	475.00
Operational boundary for external debt - Other long term liabilities	3.80	3.40	3.00	2.60
<b>Operational boundary for external debt - Total</b>	<b>478.8</b>	<b>598.40</b>	<b>683.00</b>	<b>717.60</b>
Gross debt and the capital financing requirement	Compliant	Compliant	Compliant	Compliant

### Affordability indicators

- **Estimates of financing costs to net revenue stream;** this indicator shows the trend in the cost of capital (borrowing and other long term obligation costs net of investment income) against the Council's net revenue stream. This demonstrates the affordability and proportionality of that borrowing by comparing it to the Council's net revenue stream as a whole.
- **Estimates of net income from commercial and service investments to net revenue stream;** This indicator compares income, net of operational costs but not financing costs, from commercial investments to the Council's net revenue stream. As before, this comparison allows for consideration for the Council's reliance on that income and its proportionality.

Prudential Indicators 2023 to 2026	2022/23	2023/24	2024/25	2025/26
	%	%	%	%
<b>Affordability</b>				
Financing Costs to net revenue stream	3.6%	3.4%	3.1%	3.3%
Net Income for commercial and service investments to net revenue stream	7.9%	8.5%	7.1%	6.8%

## Local indicators

Local Indicators are indicators that are not statutorily required but are included in the Council's suite of capital indicators to provide additional transparency and reporting information. The indicators below relate to forecast activity and performance in the Council's Asset Investment Strategy (AIS). The rolling investment nature of the AIS means that income is forecast to decrease in later years as investments mature, to be replaced by new investments within the pipeline yet to be agreed.

The Council has previously used income from its investments to contribute to a Risk Reserve, which had a balance of £6.31m at the end of 2021/22. Over the next three years, this reserve will be used to mitigate against income shortfalls from the Stretford Mall and Stamford Quarter LLPs as trading is impacted by the ongoing regeneration works. Once work is complete, income is forecast to recover and surpluses can be used to replenish the fund.

Local Indicators 2023 to 2026	2022/23	2023/24	2024/25	2025/26
	£m	£m	£m	£m
<b>Asset investment Strategy</b>				
Gross Income	12.10	14.39	11.76	11.25
Financing Costs	6.97	9.91	8.34	7.59
Net contributions to/(from) Risk Reserve	(0.84)	(1.67)	(0.71)	(0.17)
Forecast Risk reserve balance at year end	5.46	3.80	3.09	2.92

<b>Public Buildings Repairs and DDA Compliance Programme – 3 Year Programme</b>	
<b>Description</b>	<b>Value £000</b>
Partington & Carrington Children's Centre - Replacement of Emergency Lighting, light fittings and upgrade to LED	91
Sale Waterside – Health and Safety Issues	46
Equality Works	50
Fuel Line - EM generator TTH	32
Shaw View - Replacement Auto Door	14
Stretford Cemetery - Phase 2 of over boarding to Mess Room walls (Asbestos protection)	45
Urmston Library - Blind replacement	7
TTH windows - Rotten window sash replacements	50
Heating & Cooling Netherwood rooms TTH	25
Sale Waterside Kitchens.	100
<b>2023/24 Total</b>	<b>460</b>
Tatton Depot – Roof Repairs	300
33 Old Hall Rd Children's Home Replacement fire doors and frames	40
Torbay Road Urmston (track leading to the stables) - Reduction in track height and re-conditioning of the road surface	47
Sale Moor Toilets – Refurbishment	28
Equality Works	36
Kingsway Park Children's Home Replacement fire doors and frames	39
<b>2024/25 Total</b>	<b>490</b>
Sale West Youth Centre (Integrated with Sale West Community Centre) – Rewire/New boiler replacement	276
Flixton Park Repairs to park garden wall	39
Hayeswater Contact Centre Replacement Windows	18
John Leigh Park Repairs to park garden wall	27
Longford Park Repairs to park garden wall	39
<b>2025/26 Total</b>	<b>400</b>
<b>Public Building Repairs Three Year Programme Total</b>	<b>1,350</b>

<b>Integrated Transport Programme</b>	
<b>Description</b>	<b>Value £000</b>
Collision Analysis	20
Collision Analysis - Shaftsbury Ave/Thorley Lane, Timperley	15
Wythenshawe Road, Sale	40
Traffic Regulation Orders	45
Minor Works	46
Dropped Crossing Programme	35
Disabled Person Parking Places	24
Footway/verge parking Programme	14
School Streets	35
20mph Programme	65
VMS/VAS	30
Altrincham Public Realm TROs	25
Walking and Cycling	28
Previously Approved Schemes Re-profiled	350
<b>Integrated Transport Programme Total</b>	<b>772</b>

<b>Highways Structural Maintenance Programme</b>	
<b>Description</b>	<b>Value</b>
<b>Highways Structural Maintenance - Asset Management</b>	<b>£000</b>
Patching and Potholes	280
PROW	30
Drainage Programme	180
Markings, Signs & Street Furniture	100
Vehicular safety barriers and Pedestrian guardrail	150
Footways - Separate programme	325
Joint treatment/Over banding	65
Surveys - Highway Condition	105
Serviceability Repairs	35
Advanced Design	40
Flood Alleviation/ Duty	35
Highways Tree Programme	40
<b>Asset Management Total</b>	<b>1,385</b>
<b>Surface Treatments</b>	<b>£000</b>
Groby Rd, Altrincham - Multiple sub-sections	90
Lichfield Avenue - Bellmouth to 65m	47
<b>Highways Resurfacing Total</b>	<b>137</b>
<b>Description</b>	<b>Value</b>
<b>Highways Road Resurfacing</b>	<b>£000</b>
A538 Hale Road. Traffic light approach to B5162 and Grange Ave to Chiltern Dr	450
B5160 Dunham Road / Barnes Lane (Warburton Bridge approaches)	205
Atlantic Street - from new matt to Atlantic timber junction Ph2	125
A56 @J7M60 off slip. Pedestrian crossing to A56, left filter lanes.	25
Gaddum Road Ph2 - Bow Lane - Churchfields	140
Ambleside Road. Ph1 160Lm from Flixton Rd to Devon Rd	170

Lime Grove - Drainage Project (Skerton Road and Seymour Grove)	70
Norris Rd, Ph1 - Sale Rd to Brooklands Rd Various sub-sections circa 200Lm	205
A6144 Warburton Lane Ph3, Street Light Col 81 to northbound Street Light col77 (200m)	190
The Grove, Off Marsland Rd, cul de sac. Turning head only.	20
Hurst Avenue - Cherry Lane to Fields (175Lm towards development site)	90
Lock Lane. Mini Roundabout @Manchester Road, near shops	86
<b>Highways Road Resurfacing Total</b>	<b>1,776</b>
<b>Highways Road Reconstruction</b>	<b>£000</b>
Disused Old Train tracks - various locations in Trafford Park, (Unadopted Rail crossovers Classified network (A, B and C)	40
Garden Lane (Recon and Resurface)	40
<b>Highways Road Reconstruction Total</b>	<b>80</b>
<b>Previously Approved Schemes Re-profiled</b>	<b>1,795</b>
<b>Highways Structural Maintenance Programme</b>	<b>5,173</b>
<b>Additional Highways Support</b>	
Additional Highways Surface dressing and treatment (2-year programme- year 2)	3,000
<b>Additional Highways Support Total</b>	<b>3,000</b>
<b>Street Lighting</b>	
Street Lighting Programme	500
<b>Total Street Lighting</b>	<b>500</b>
<b>Structures</b>	<b>£000</b>
Bridge Inspections	85
Asset Management	35
Assessment/Studies/Advanced Design	35
Bridge Minor Works	50
Sale Canal Bridge, B5166 Nothernden Road	100
Warburton Mill Bridge, A6144 Bent Lane	40
Previously Approved Schemes Re-profiled	200
<b>Highways Road Reconstruction Total</b>	<b>545</b>
<b>Total Highways Programme</b>	<b>9,218</b>

<b>Parks Infrastructure</b>	
<b>Description</b>	<b>Value £000</b>
Drainage Works – Various Parks	70
Surfacing Repair and Works – Various Parks	50
Patching and Potholes Repairs – Greenspaces	20
Street Lighting – Various Parks	10
<b>Parks Infrastructure Programme Total</b>	<b>150</b>

<b>Play Area Refurbishments</b>	
<b>Description</b>	<b>Value £000</b>
Stamford Park - new fencing around under 5s play area, refurbish 2 -3 items of play equipment	12
Abbotsfeild Park - replace old seesaw with inclusive seesaw	12
Navigation park - replace timber framed swings	17
Hullard Park - replace timber multi play unit	12
Ashton Park - There is decay to timber components which may affect structural integrity	35
Walton Park - small multiplay unit	12
<b>Play Area Refurbishment Programme Total</b>	<b>100</b>