

TRAFFORD COUNCIL

Report to: Executive and Council

Date: 21st February 2024

Report for: Decision

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

Report Title

CAPITAL STRATEGY, ASSET INVESTEMENT STRATEGY, CAPITAL PROGRAMME AND PRUDENTIAL & LOCAL INDICATORS 2024/27

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 including Prudential and Local Indicators (Section 1) – The Capital Strategy which includes the core principles that underpin the Council's Capital Programme and details set indicators in accordance with the CIPFA Prudential Code which are designed to support decisions taken on affordability, sustainability and professional good practice.

General Capital Programme (Section 2 and Appendix 1) - The level of resources forecasted to be available for general capital investment purposes during the period is £152.09m. The proposals included in this report will result in a general Capital Programme totalling £154.56m. This equates to £2.47m 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.

Details of Block Budget Allocations (Appendix 2) – Provides individual details of schemes that are covered by block allocations.

Asset Investment Strategy (Section 3) – This report highlights the Council's proposals to utilise the fund created during 2017 to facilitate development and regeneration whilst providing a sustainable revenue stream and covering any related borrowing costs and also supporting local authority functions.

Asset Investment Strategy (Appendix 3) – The Asset Investment Strategy approved in February 2023 is attached for reference. No changes to this are proposed.

Recommendations

That Executive approves the: -

1. Capital Programme as detailed in Section 2 and Appendix 1
2. Schemes to be undertaken from the “block” budget allocations reported in paragraph 14 and detailed Appendix 2.

That Executive recommends the Council to approve:-

3. The Capital Strategy including Prudential and Local Indicators in Section 1.
4. The overall Capital Programme in the sum of £413.15m for the period 2024/27 comprising £154.56m in respect of the General Capital Programme (as detailed in Section 2) and an Asset Investment Strategy gross expenditure budget of £258.59m for the period 2024/27 and continues to work within the previously approved budget envelope of £500m.
5. The continuation of the existing Asset Investment Strategy included in Appendix 3
6. The flexible use of capital receipts as detailed in Capital Strategy (Section 2 paragraph 9)

Contact person for access to background papers and further information:

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Background Papers – None

Implications :-

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 proposed 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 2024/27.
Risk Management Implications	Assumptions have been made on the level of receipts from land sales and developments to be generated in 2024/25 to 2026/27. 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.
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, active travel schemes, 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.
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1. Background

- 1.1 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.
- 1.2 The three-year capital programme that was approved in February 2023 was £199.16m. Progress against this programme has been reported to Executive throughout the financial year as part of the budget monitoring report.
- 1.3 The three-year Capital Programme 2024/27 and update of available resources is detailed in Section 2. This gives a proposed General Capital Programme of £154.56m for the next three years and an Asset Investment Programme of £258.59m to give a total capital programme of £413.15m. 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.

2. Other Options

- 2.1 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.

3. Consultation

- 3.1 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 2024/27. 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.

4. Reasons for the Recommendation

- 4.1 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.....



CORPORATE DIRECTOR'S SIGNATURE

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Section 1

TRAFFORD COUNCIL

Capital Strategy

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Introduction

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 effective management of capital resources is an important aspect in the delivery of the Council's corporate objectives and associated priority areas. This capital strategy report gives a high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of local public services along with an overview of how associated risk is managed and the implications for future financial sustainability.

Decisions made this year on capital and treasury management will have financial consequences for the Council for many years into the future. They are therefore subject to both a national regulatory framework and to local policy framework, summarised in this report.

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

A link to the Councils Corporate Plan is available here : [Corporate-Plan-2021-2024.pdf](https://trafford.gov.uk/Corporate-Plan-2021-2024.pdf) (trafford.gov.uk)

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, the priorities 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 (these can be found in the Council Corporate Plan)

In an addition to the objectives set out above 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.

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

Governance

Service managers bid annually in August to include new projects in the Council's capital programme and to confirm that schemes that are not contractually committed are still required to be considered as part of the proposed new three-year Capital Programme. Bids are collated by the Finance and Systems Service to identify those schemes that require financing either through the use of capital receipts or borrowing. New bids and those not yet contractually committed are then prioritised using the objectives detailed earlier in this report. The Director of Finance and Systems determines the capital resourcing envelope and recommends to Executive an appropriate level of overprogramming for the three-year capital programme considering such elements as current revenue pressures and availability of known receipts and potential future receipts.

Once the proposed schemes to be included in the three-year Capital Programme are finalised it is presented to the Capital Programme Board (chaired by Corporate Director of Place with representatives from all services invited) for discussion before being considered by Corporate Leadership Team and Executive.

The overall value of the three year capital programme is then recommended by the Executive for approval by Full Council in February alongside the Medium-Term Financial Strategy. The Council also approve any new borrowing associated with the capital budget. The Executive agree the capital schemes for inclusion within the capital programme.

Once the final programme has been approved, schemes are then subject to the following governance whilst works are being undertaken;

- Responsible Officers are assigned projects in line with their responsibilities .
- Regular budget monitoring meetings are held with Directorate Departmental Management Teams.
- Capital Programme Board chaired by the Corporate Director for Place supports the delivery of the capital programme and receives updates on progress and risks at monthly meetings.
- The progress of the programme is reported to the Executive on a bi-monthly basis.
- The Capital Programme is subject to Internal and External Audit Review

Full details of the proposed capital programme can be found in Section 2 Appendix 1.

Prudential Indicators

The Prudential Code for Capital Finance in Local Authority requires that the Council agree Prudential Indicators annually and monitor these 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 and cover the three areas as set out below:

Capital expenditure indicators:

- Estimates of capital expenditure;
- Estimates of Capital Financing Requirement;

Treasury Management Indicators

- Liability benchmark
- Upper and lower limits to the maturity structure of its borrowing
- Upper limits for long-term treasury management investment
- Authorised limit and Operational Boundary for external debt;
- Gross debt and the Capital Financing Requirement (CFR);

Affordability indicators

- Estimates of financing costs to net revenue stream;
- Estimates of net income from commercial and service investments to net revenue stream;

The Capital Expenditure and Affordability indicators are detailed and agreed as part of this Capital Strategy and the Treasury Management Indicators form part of the Treasury Management Strategy report.

Capital Expenditure

Capital expenditure is where the Council spends money on assets, such as property, highways and ICT, that will be used for more than one year. In local government this includes spending on assets owned by other bodies, and loans and grants to other bodies enabling them to buy assets. 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.

For the three-year period 2024/25 to 2026/27, the Council is planning capital expenditure of £413.15m as summarised below:

Table 1: Prudential Indicator: Estimates of Capital Expenditure in £ millions

	2024/25 budget £m	2025/26 budget £m	2026/27 budget £m	TOTAL budget £m
General Capital Programme	74.89	69.55	10.12	154.56
Asset Investment Fund	77.31	161.93	19.36	258.59
Total Capital Expenditure	152.20	231.48	29.48	413.15

The main General Programme Investment schemes include:

- Delivery of School based improvements through Basic Need, Maintenance works and SEND provision - £43.08m
- Adults Social Care – including Disabled Facilities Grant - £9.48m
- Corporate Landlord Investment - £2.58m
- Town centre regeneration and investment - £2.88m
- Delivery of Leisure Strategy and improving outdoors sports facilities across the borough - £54.26m
- Active Travel schemes across the borough incl EV charging points - £12.85m
- Highways Structural Maintenance works including surface dressing and treatment works and Street Lighting - £12.30m
- Work at Carrington junction and relief Road - £4.60m
- Works on Parks and Greenspaces - £1.67m
- Investment of Local Authority Housing Fund - £2.86m
- Supporting the Council ICT infrastructure - £6.48m
- Other areas of investment - £1.52

The Council also plans to incur £258.59m of capital expenditure on the Council’s Asset Investment Strategy - more information can be found in Section 3.

Capital Financing

All capital expenditure must be financed, either from external sources (government grants and other contributions), the Council’s own resources (revenue, reserves and capital receipts) or debt (borrowing, leasing and Private Finance Initiative). The planned financing of the above expenditure is as follows:

Table 2: Capital financing in £ millions

	2024/25 budget £m	2025/26 budget £m	2026/27 budget £m	TOTAL budget £m
Grants	49.55	36.68	8.31	94.54
External Contributions	4.51	4.87	-	9.38
Revenue and Reserves	3.15	-	-	3.15
Borrowing	14.01	21.42	-	35.43
Capital Receipts	-	6.25	3.34	9.59
Total Funding	71.22	69.22	11.65	152.09

A breakdown of these sources of funding are detailed in Section 2.

The Council’s underlying need to borrow for capital expenditure is termed the Capital Financing Requirement (CFR). This represents capital spend, not yet paid for by revenue or other capital resources (eg grants), incurred from current and prior years’ activities reflecting the level of the Council’s indebtedness or need to borrow.

CFR increases with new debt-financed capital expenditure and reduces with contributions made under Minimum Revenue Provision (MRP) and capital receipts used to repay debt. The CFR is expected to increase by £57.88m during 2024/25. Based on the above figures for expenditure and financing, the Council’s estimated CFR is as follows:

Table 3: Prudential Indicator: Estimates of Capital Financing Requirement in £ millions

	2023/24 Forecast £m	2024/25 budget £m	2025/26 budget £m	2026/27 budget £m
General Capital Programme	87.75	74.89	69.55	10.12
Asset Investment Fund (AIF) spend	52.04	77.31	161.93	19.36
Capital expenditure – Total	139.79	152.20	231.48	29.48
Opening Capital Financing Requirement	412.02	461.52	519.41	587.41
Capital Expenditure	139.79	152.20	231.48	29.48
Less: Non-borrowing capital resources	(69.54)	(60.88)	(48.13)	(10.12)
Less: Minimum Revenue Provision	(4.35)	(4.47)	(4.59)	(4.71)
Less: AIF Investment Repayments	(15.99)	(28.53)	(110.29)	(28.34)
Less: PFI Adjustment	(0.34)	(0.36)	(0.40)	(0.42)
Less: Probation Service Adjustment	(0.07)	(0.07)	(0.07)	(0.07)
Cumulative Capital Financing Requirement	461.52	519.41	587.41	573.23

Asset management: To ensure that capital assets continue to be of long-term use, the Council has developed a 10 Year Estates Strategy 2023-33 which was approved in March 2023, The Council has a diverse portfolio of properties ranging from large office buildings to schools, leisure centres and libraries. A significant area of our work is to manage the commercial properties that help pay for the services that the Council provides. Overall, a portfolio of over 400 assets is managed. The core principals of the strategy are;

- Right sized and fit for purpose.
- Asset management focussed on low cost and maximising revenue.
- Investing for Growth.
- Transparency.

The Council's 10 Year Estates Strategy is available here: [Estates Strategy- Final- 20.02.23.pdf \(trafford.gov.uk\)](https://trafford.gov.uk/estates-strategy-final-20.02.23.pdf)

Asset disposals: When a capital asset is no longer needed, it may be sold so that the proceeds, known as capital receipts, can be spent on acquisition of new assets, improvement of current assets or to repay debt.

The Council is currently also permitted to spend capital receipts “flexibly” on service transformation projects. This 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.

As part of capital programme approved in February 2023 the Council agreed “flexible use of capital receipts” to support the cost of Modernisation team who are involved in developing the Council’s Finance and Change Programme targeted at delivering sustainable savings to support the revenue budget over the medium term. The Capital Programme for 2024/25 includes the further flexible use of capital receipts to continue with the programme. Details are included in Section 2 paragraph 9.

Repayments of capital grants, loans and investments also generate capital receipts. The Council plans to receive £30.2m of capital receipts in the coming financial year as follows:

Table 4: Capital receipts receivable in £ millions

	2024/25 budget £m	2025/26 budget £m	2026/27 budget £m
Usable Capital receipts from Asset sales *	0.00	6.25	3.34
Capital Loans Repaid	30.20	110.48	0.34
TOTAL Capital Receipts	30.20	116.73	3.68

* There are no usable capital receipts in 2024/25 as a result of any receipts received, being required to meet a shortfall in 2023/24 requirement.

- Further details of planned asset disposals and development programme are included in the Strategic Land Review Programme which is approved on the same Executive meeting as this Strategy.

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 (SLY).

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.

Asset Investment Strategy

The Council's Asset Investment Strategy, which was originally drafted in September 2017, this 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 regeneration and 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. Further details on the Council Investment can be found in Section 3.

Governance: 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
- ❖ Executive Member for Finance, Change and Governance
- ❖ Executive Member for Economy and Regeneration

(*) The Leader of the Liberal Democratic Group has chosen not to take up a position on the Board.

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.

- Further details on the strategic priorities, risk management of commercial investments are in the Asset Investment Strategy in Appendix 3

Revenue Budget Implications (Affordability Indicators)

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.

Table 5: Prudential indicator: Net income from commercial and service investments to net revenue stream in £ millions

	2023/24 forecast £m	2024/25 budget £m	2025/26 budget £m	2026/27 budget £m
Total net income from service and commercial investments (£m)	16.20	17.16	16.65	15.47
Net Revenue Stream	201.97	214.04	214.13	214.43
Proportion of net revenue stream	7.9%	8.0%	7.8%	7.2%

Estimates of financing costs to net revenue stream; Although capital expenditure is not charged directly to the revenue budget, interest payable on loans and provision for repayment of the principal are charged to revenue. 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 i.e. the amount funded from Council Tax, business rates and general government grants. This demonstrates the affordability and proportionality of that borrowing by comparing it to the Council's net revenue stream as a whole.

Table 6: Prudential Indicator: Proportion of financing costs to net revenue stream in £ millions

	2023/24 forecast £m	2024/25 budget £m	2025/26 budget £m	2026/27 budget £m
Net Financing costs (£m)	- 1.99	2.12	3.93	5.89
Proportion of net revenue stream	-1.0%	1.0%	1.8%	2.7%

(*) The level of investment income generated through the Asset Investment Strategy means that net financing costs on this indicator are low; a more appropriate measure of risk is provided is shown in Table 7 which uses gross financing costs.

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.

Table 7: Prudential Indicator: Proportion of financing costs to net revenue stream in £ millions (detailed) and local indicator Gross Investment Income

	2023/24 forecast £m	2024/25 budget £m	2025/26 budget £m	2026/27 budget £m
Net Revenue Stream (£k)	201.97	214.04	214.13	214.43
Net Financing Costs * (£k)	(1.99)	2.12	3.93	5.89
Net Financing Costs to NRS (%) (Prudential Indicator)	- 1.00%	1.00%	1.80%	2.70%
Gross Financing Costs (£k)	13.61	16.87	17.89	18.21
Gross Investment Interest Income (£k)	(15.60)	(14.75)	(13.96)	(12.32)
Net Financing Costs (£k)*	(1.99)	2.12	3.93	5.89
Using Gross Financing Costs to NRS (%)	6.74%	7.88%	8.35%	8.49%

(*) The prudential indicator requires a comparison between Net Financing Costs and the Net Revenue Budget; however this does not demonstrate fully the risk due to the high levels of investment income that the Council generates.

The **Gross Investment Interest Income** and **Gross Financing Costs** are more appropriate and reflect

- Risk of losing Gross Investment Income as this pays for borrowing costs
- Gross Financing Cost is the amount of exposure you need to pay

The Gross Financing Costs to Net Revenue Stream has been prepared as a local indicator as shown in the table above.

Further details on the revenue implications of capital expenditure can be found within the Medium-Term Financial Strategy which is also going to this Executive meeting

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. 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.

Table 8: Local Indicators.

	2023/24 forecast £m	2024/25 budget £m	2025/26 budget £m	2026/27 budget £m
Asset investment Strategy				
Gross Income	14.40	15.00	14.49	13.12
Financing Costs	8.60	10.27	10.61	10.15
Risk Reserve				
Balance B/fwd	5.01	5.12	4.52	3.78
Net contributions to/(from) Risk Reserve	(1.39)	(0.60)	(0.74)	(0.26)
Transfer from Interest Rate Smoothing Reserve	(1.50)			
Forecast Risk reserve balance at year end	5.12	4.52	3.78	3.52

Sustainability

Due to the very long-term nature of capital expenditure and financing, the revenue budget implications of expenditure incurred in the next few years will extend for up to 50 years into the future. The Director of Finance and Systems is satisfied that the proposed capital programme is prudent, affordable and sustainable after considering that;

- The extent to which the Council's revenue budget is reliant on income from investments

- Whether any plausible losses associated with any of the Council'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.

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. This 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.

Section 2

Capital Programme

CAPITAL RESOURCES UPDATE 2024/27

1. A review of capital resources was undertaken to determine the amount available to fund the three-year 2024/27 general Capital Programme. This indicates total available resources of £152.09m as follows:

Table 2 – Available Resources	2024/27 Total £m
Capital Grants	94.54
External contributions	9.38
External Resources	103.92
Reserves & revenue	3.15
Borrowing	35.43
Available Receipts – Strategic Land Review and other	9.59
Internal Resources	48.17
Resourcing Total	152.09

External Resources

2. 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.
3. **Capital Grants - £94.54m:** These include grants from central government departments and agencies and the major areas include: -
 - **£34.86m** for schools related investment for Schools from the Department for Education.
 - **£5.12m** from the Department for Education create places and to improve facilities for pupils with special educational needs and disabilities (SEND).
 - **£0.56m** from Department for Education for childcare
 - **£8.71m** from the Department for Levelling Up, Housing and Communities for disabled facilities grants
 - **£1.00m** from Department for Levelling Up, Housing and Communities for Future High Streets Fund to support work in Stretford
 - **£17.17m** from Department for Levelling Up, Housing and Communities for works at Partington Leisure Centre
 - **£9.28m** from the Department of Transport to support investment in highways and infrastructure

- **£0.22m** from Greater Manchester Combined Authority for Decarbonisation works across the
 - **£4.60m** from Transport for Greater Manchester to assist with infrastructure schemes.
 - **£12.16m** from the Mayors Challenge Fund for improving the network for pedestrians and cycle users.
 - **£0.41m** from Department Levelling Up, Housing and Communities for the Local Authority Housing Fund.
 - **£0.45m** from Department for Environment, Food and Rural Affairs for weekly food collections
4. **External Contributions - £9.38m:** These include contributions from public bodies and private contributions
- **£0.89m** from the Football Foundation to assist in improving football facility provision
 - **£0.21m** from Lawn Tennis Association to support Parks Tennis Court Programme
 - **£1.30m** from Sport England to support works Altrincham Leisure Centre
 - **£0.87m** from English Cricket Board to support works at Stretford Leisure Centre
 - **£2.00m** from Sport England to support works at Partington Leisure Centre (subject to approval)
 - **£1.26m** of external contributions from various organisations to support works at Partington Sports Village
 - **£0.59m** from Section 106 Contributions towards Longford Park HLF bid.
 - **£1.50m** of Section 106 Contributions to support the Future High Street scheme in Stretford
 - **£0.76m** being a number of smaller contributions towards a variety of schemes

Internal Resources

5. 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.
6. **Prudential Borrowing - £35.43m:**
- £28.57m of borrowing, previously agreed by Council is in the three-year capital programme to assist with the delivery of the Leisure Strategy, where redevelopment of Altrincham leisure centre which is currently underway with £1.63m to support completion of the scheme and an element of £1.18m being committed for matched funding to support levelling up funding for the redevelopment of Partington leisure centre. The remaining allocation of £27.26m is currently earmarked to support the ongoing leisure investment programme for which specific approvals will be sought from Executive.
 - There is £2.41m of borrowing as the matched element to funding awarded 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.

- Previously approved supported borrowing £4.45m is still required to support a number of schemes within the wider programme.
7. **Reserves and Revenue – £3.15m:** There are currently a range of projects supported by the application of reserves including:
- **£2.00m** for the replacement of SAP financial system
 - **£1.00m** to support additional highway investment over and above that supported by external grant
 - **£0.15m** support a small number of other schemes
8. **Capital Receipts – £9.59m :** A review of the sites included in the current Strategic Land Review Programme has been undertaken along with other potential receipts to determine an estimate of the level of capital receipts likely to be available to support the 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 currently expected to be £13.66m, this includes £6.05m from the sites that have been identified for self-development by the Council. Of the total receipts, £2.02m is required to support a funding shortfall in 2023/24, with £2.05m to fund flexible use strategy and MRP costs, related to the Council’s PFI scheme, giving a balance of £9.59m available to support the 2024/27 programme.
9. As part of the Autumn Statement released in November 2024, the Government confirmed the extension of the flexible use of capital receipts 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. As part of capital programme approved in February 2023 the Council agreed “flexible use of capital receipts” to support the cost of Modernisation team to the sum of £0.85m in 24/25, the team will be involved in developing the Council’s Finance and Change Programme targeted at delivering sustainable savings to support the revenue budget over the medium term.
10. The following table gives the current position of capital receipts for 2024/25 to 2026/27

Table 4: Capital Receipts	2024/25 £m	2025/26 £m	2026/27 £m	Total £m
Land Sales	1.96	3.65	2.00	7.61
Self-development Returns	-	4.28	1.77	6.05
<i>Less costs:</i>				
Flexible Use Strategy	(0.85)	-	-	(0.85)
MRP allowance (Sale PFI)	(0.37)	(0.40)	(0.43)	(1.20)
Total Estimated Receipts	0.74	7.53	3.34	11.61
Amount required to support estimated deficit in 2023/24	(0.74)	(1.28)	-	(2.02)
Net receipts available to support 2024/27 capital programme	0.00	6.25	3.34	9.59

PROPOSED CAPITAL PROGRAMME 2024/2027

11. The value of the proposed three year general Capital Programme is £154.56m, a summary is shown in the table below, with detailed analysis shown in Appendix 1. The capital programme will be reviewed and updated in the monitoring reports to Executive throughout the year.

Table 5: Capital Programme and funding	Budget 2024/25	Budget 2025/26	Budget 2026/27	Budget Total
<i>Investment:</i>	£m	£m	£m	£m
Children's Services	15.74	24.61	2.93	43.28
Adult Social Care	4.44	2.57	2.47	9.48
Place	51.76	40.65	2.91	95.32
Finance & Systems	2.95	1.72	1.81	6.48
General Programme Investment	74.89	69.55	10.12	154.56
<i>Funding:</i>				
Grants	49.55	36.68	8.31	94.54
External Contributions	4.51	4.87	-	9.38
Revenue & reserves	3.15	-	-	3.15
Prudential Borrowing	14.01	21.42	-	35.43
Capital Receipts available	-	6.25	3.34	9.59
Total Funding	71.22	69.22	11.65	152.09
Surplus / (Deficit)	(3.67)	(0.33)	1.53	(2.47)

12. The surplus and deficit reflects the likelihood of timing differences between financial years relating to delivery, cost efficiencies (e.g. from procurement) and availability of receipts/development returns. This will be included in the regular Executive monitoring reports including any corrective action required as appropriate.
13. Where there are in year deficits there may be the requirement to undertake some temporary borrowing. This would create an additional cost of the revenue budget and need to be contained within the Treasury Management budget; regular monitoring will be undertaken through Capital Programme board to mitigate the risk of this happening.
14. Appendix 2 is a specific list of the schemes that require approval in 2024/25 for the areas of the programme covering:
- Public Building Repairs and Compliance Programme
 - Integrated Transport Programme
 - Highways Structural Maintenance (including street lighting)

Section 3

The Asset Investment Strategy

1. The Council has an approved 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”.
2. The strategy is reviewed, updated as necessary, and approved by the Council annually. The updated strategy is found in Appendix 3 (unchanged from 2023).
3. The overall budget envelope agreed for the Asset Investment Strategy is currently £500m, supported by prudential borrowing. The total budget envelope 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 (IMB) to date have a total current committed cost of £436.4m, of which £273.5m has currently been expended. The balance of the approved £500m which is available for further investment is £63.6m
4. This investment to date has already provided a net benefit to support the revenue budget of £25.41m over the last 5 financial years, and is forecast to provide a further £5.94m in 2023/24.
5. In 2024/25, the targeted net income for the Strategy is £6.04m. 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.
6. Included in the table below are costs listed as Various Development Sites 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.
7. 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.

Asset Investment Fund	Prior Years	Repayments	Actual Spend 2023/24	Commitment	Total £m
	Spend £m	£m	£m	£m	
Total Investment Fund					500
Property Purchase:					
Sonova House, Warrington	12.2	-		-	12.2
Grafton Centre, Altrincham	10.8	-		-	10.8
The Fort, Wigan	13.9	-		-	13.9
Sainsbury's, Altrincham	25.6	-		-	25.6
Sub Total	62.5	0.0	0.0	0.0	62.5
Property Development:					
Sale Magistrates Court	6.4	-	(0.0)	28.4	34.8
Brown Street, Hale	9.2	(6.1)	0.1	-	3.2
Former sorting office, Lacy Street, Stretford	0.9	-	0.0	-	0.9
GMP Site, Chester Road, Old Trafford	0.0	-	0.0	0.6	0.6
Care Home Purchase & Remediation	2.4	-	0.1	0.6	3.1
Tamworth	0.2	-	0.0	0.3	0.4
Various Development Sites	0.6	0.0	0.6	0.0	1.2
Sub Total	19.7	(6.1)	0.8	29.9	44.2
Equity:					
Stretford Mall, Equity	9.3	-		7.1	16.4
Stamford Quarter, Equity	20.0	-	3.1	2.1	25.2
K Site, Stretford Equity	11.7	-	0.7	(0.2)	12.2
Sub Total	41.0	0.0	3.8	9.0	53.8
Development Debt:					
Bruntwood; K site	11.5	-	0.7	(0.0)	12.2
Bruntwood; Stamford Qtr./Stret Mall	29.3	-	3.1	9.2	41.6
CIS Building, Manchester	60.0	(25.8)		-	34.2
Castle Irwell, Salford	19.6	(19.6)		-	0.0
Castle Irwell, Salford – Phase 2	11.0	(9.5)	0.0	0.0	1.5
Castle Irwell, Salford – Phase 3	0.0		7.5	8.5	16.0
Hale Library	3.8	(1.3)	0.5		3.0
Network Space, Broadheath	6.7	-	9.7	5.1	21.5
Sunlight House	22.2	-	1.3	4.8	28.3
Barton Dock Road, Trafford Park	3.1	-	6.0	2.9	12.0
One Victoria	0.0	0.0	0.0	22.6	22.6
Moorfield, Lumina Village	0.0	-	0	71.0	71.0
Sub Total	167.2	(56.2)	28.8	124.1	263.9
Total Capital Investment	290.4	(62.3)	33.4	163.0	424.4
Albert Estate Investment	17.6	(5.6)		-	12.0
Total Investment	308.0	(67.9)	33.4	163.0	436.4
Balance available					63.6

2024/2027 PROPOSED CAPITAL PROGRAMME				
	2024/25	2025/26	2026/27	Total
DESCRIPTION	£m	£m	£m	£m
Schools				
Basic Need – School Places	1.79	19.18	-	20.97
Altrincham College	3.58	2.00	-	5.58
Devolved Formula Capital	1.14	0.38	0.37	1.89
Capital Maintenance Grant	3.32	3.05	2.56	8.93
Childcare Grant	0.56			0.56
Brentwood School - SEND	3.15	-	-	3.15
Egerton School - SEND	2.00	-	-	2.00
Sub-total	15.54	24.61	2.93	43.08
Children's Services				
Foster Carers – Adaptations to Registered Social Landlord Properties	0.20	0.00	0.00	0.20
Sub-total	0.20	0.00	0.00	0.20
Adults Social Care				
Disabled Facility Grants	3.77	2.47	2.47	8.71
Disabled Facility Grants - Additional Support	0.10	0.10	-	0.20
Our Place - Safety Works	0.57	-	-	0.57
Sub-total	4.44	2.57	2.47	9.48
Place				
Town Centres Loans Fund	0.07	0.07	-	0.14
Market Street Altrincham	0.24	-	-	0.24
Future High Street Fund	2.50	-	-	2.50
Public Building Repairs & Compliance Prog – Appendix 2	0.52	0.40	-	0.92
Sale Waterside/ Trafford Town Hall Improvements incl Update Working Arrangements	0.06	-	-	0.06
Altrincham Market House Improvements	0.10	-	-	0.10
Watling Gate – Preservation/Conservation	0.16	-	-	0.16
Estates Savings Requirements	0.62	-	-	0.62
De-Carbonisation Programme	0.50	-	-	0.50
Claremont Centre Works	0.07	-	-	0.07
Corporate Building Security Review	0.15	-	-	0.15
Altrincham Leisure Centre	3.93	-	-	3.93
Stretford Leisure Centre	4.58	13.72	-	18.30
Leisure Strategy – Refurbishment and Essential Works	-	8.33	-	8.33
Partington Sports Village – Levelling Up Fund	8.00	13.61	-	21.61
Football Facility Provision	1.22	-	-	1.22
Timperley Sports Club - Artificial Pitch	0.48	-	-	0.48
Longford Park Sports – Track Replacement	0.10	-	-	0.10
Altrincham Golf Course	0.08	-	-	0.08
Parks - Tennis Courts Programme	0.21	-	-	0.21
Integrated Transport Schemes – Appendix 2	0.27	-	-	0.27
Mayors Cycling and Walking Challenge Fund	12.16	-	-	12.16
Residents Parking Scheme	0.06	-	-	0.06
Boroughwide – Boundary / Village Entry Signs	0.05	-	-	0.05

Electric Vehicle Charging Points	0.42	-	-	0.42
Moving Traffic Offences - Boroughwide Cameras	0.15	0.15	-	0.30
Highways Structural Maintenance – Appendix 2	3.85	2.61	2.91	9.37
Surface Dressing & Treatment Programme	0.50	0.50	-	1.00
CRSTS - Key Route Network Programme	0.20	-	-	0.20
Street Lighting	0.83	0.30	-	1.13
Electric Street Furniture Replacement	0.10	-	-	0.10
Bridge Assessments and Strengthening – Appendix 2	0.50	-	-	0.50
Carrington Junction and Relief Road – Appendix 2	4.60	-	-	4.60
Parks Infrastructure	0.25	0.10	-	0.35
Play Area Refurbishment	0.10	0.10	-	0.20
Longford Park, Stretford: Heritage Lottery Fund Bid	0.15	0.59	-	0.74
Support incl Section 106				
Countryside Infrastructure	0.04	-	-	0.04
Parks & Open Space, Outdoor Sports & City Of Trees – S.106 Funded	0.19	0.15	-	0.34
Food Waste Collection Programme	0.45	-	-	0.45
Parking Services	0.10	-	-	0.10
Assistance to Owner Occupiers	0.01	0.01	-	0.02
Housing Standards / Empty Property Initiatives	0.01	0.01	-	0.02
Local Authority Housing Fund	2.82	-	-	2.82
CCTV Cameras – Fly-tipping Prevention	0.36	-	-	0.36
Sub-total	51.76	40.65	2.91	95.32
Finance & Systems				
SAP Systems Landscape - Upgrades	0.22	-	-	0.22
CRM - Update/Replacement	0.80	-	-	0.80
Device Replacement Programme	0.35	0.40	0.40	1.15
Content Management System	0.04	0.10	-	0.14
Unsupported Server O/S Migration	0.03	0.08	-	0.11
Network Replacement	0.55	-	-	0.55
I Trent Replacement	0.27	-	-	0.27
Information Management Services for Regulatory Services	0.38	-	-	0.38
Cloud and Data Centre Strategy	-	0.51	-	0.51
Cloud Telephony and Unified Communications	0.04	0.07	-	0.11
Security Infrastructure - Perimeter Firewall replacement	0.24	-	-	0.24
Information Management Services for Regulatory Services	0.03	0.56	1.41	2.00
Sub-total	2.95	1.72	1.81	6.48
GENERAL PROGRAMME TOTAL	74.89	69.55	10.12	154.56
Asset Investment Programme	77.31	161.93	19.36	258.59
TOTAL PROGRAMME	152.20	231.48	29.48	413.15

Public Buildings Repairs and DDA Compliance Programme – 3 Year Programme	
Description	Value £000
Previously Approved and Committed Schemes	77
Tatton Depot – Roof Repairs	300
33 Old Hall Rd Children's Home Replacement fire doors and frames	40
Fire Remedials (Multiple sites)	28
Equality Works	36
Kingsway Park Children's Home Replacement fire doors and frames	39
2024/25 Total	520
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	40
2025/26 Total	400
Public Building Repairs Programme Total	920

Integrated Transport Programme	
Description	Value £000
Collision Analysis	5
Traffic Regulation Orders	55
Minor/Medium Works	30
Dropped Crossing Programme	25
Disabled Persons Parking	30
School Streets & School Keep Clear markings	10
20mph Programme	60
Variable Message Signs/Vehicle Activated Signs	20
Walking and Cycling - Moss Lane, Altrincham	15
Red Routes / Traffic Regulation Orders	20
Integrated Transport Programme Total	270

Bridge Assessments	
Description	Value £000
Previously Approved and Committed Schemes	250
Bridge Inspections	85
Asset Management	30
Assessment/Studies/Advanced Design	30
Bridge Minor Works	40
Warburton Mill Bridge A6144, Warburton	65
Bridge Assessments Total	500

Highways Structural Maintenance Programme	
Description	Value
Highways Structural Maintenance - Asset Management	£000
Previously Approved and Committed Schemes	2,001
Asset Management	
Patching and Pot Holes	50
Drainage Programme	180
Markings, Signs & Street Furniture	80
Vehicular safety barriers and Pedestrian guardrail	50
Footways	200
Joint treatment/Over banding	10
Surveys - Highway Condition	100
Serviceability Repairs	30
Advanced Design	20
Flood Alleviation/ Duty	40
Disused Railway Tracks – Various Sites	100
Asset Management Total	2,861
Highways Road Resurfacing	£000
Park Road, Bowdon	57
Park Road Timperley	52
Lingfield Avenue, Sale	44
Cloverly Drive, Timperley	28
Westing House Road Phase 1	245
Broomfield, Altrincham	35
Newgate Road, Sale	73
Cherry Lane, Sale	134
Humphrey Crescent, Urmston	45

Banky Lane, Sale	30
Oakwood Lane, Bowdon	65
Bucklow Avenue, Partington	57
Haydock Drive, Timperley	38
Queens Road, Hale	39
Millway , Hale	48
Highways Resurfacing Total	990
Description	Value
Surface Dressing and Treatment Programme	£000
Vyner Grove (Sale) Glebelands Road - Cul De Sac	7
Ennerdale Dr (Sale) Stokesy Road (W) - Stokesy Road (E)	34
Hunters Mews (Sale) Oakfield - Cul De Sac	8
Pulford Road (Sale) Farley Road - Derbyshire Road	39
Lurgan Avenue (Sale) Arran Avenue - Cul De Sac	7
Lucy Street (Old Trafford) City Road - Stretford Road	34
Briggs Road (Stretford) Greatstone Road - Cul De Sac	4
Ponsonby Rd (Stretford) Davyhulme Road (E) - Grasmere Road	30
Erlington Av. (Old Trafford) Ryebank Road (W) - Ryebank Road (E)	41
Truro Avenue (Stretford) Faulkner Road - Kings Road	19
Melfort Avenue (Stretford) Granby Road - Cul De Sac.End	20
Melville Road (Stretford) Barton Road - Cul De Sac	37
Chinley Avenue (Stretford) Ashbourne Road - Cul De Sac	5
Cornbrook Street (Old Trafford) Stretford Road - Cul De Sac	31
Lillian Street (Old Trafford) Walter Street - Northberland Road	14
Brooks Road (Old Trafford) Seymour Grove - Wood Road Nth	41
Holly Drive (Sale) Roebuck Lane - Cul De Sac	8
Montague Road (Sale) Hope Road - Wardle Road	40
Trafalgar Road (Sale) Dane Road - Linton Road	7

Bridgewater Street (Sale) Chapel Road - Harley Road	14
Alderley Road (Sale) Frodsham Road - Chelford Road	60
Surface Dressing and Treatment Programme Total	500

Asset Investment Strategy



Trafford Investment
Strategy - January 20: