

TRAFFORD COUNCIL

Report to: Executive and Council

Date: 19 February 2020

Report for: Decision

Report of: The Executive Member for Finance and Investment and the Corporate Director Finance and Systems

Report Title

CAPITAL STRATEGY, CAPITAL PROGRAMME AND PRUDENTIAL & LOCAL INDICATORS 2020/23

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 £166.13m. The proposals included in this report will result in a Capital Programme totalling £168.72m. This equates to £2.59m 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 provide a sustainable revenue stream and cover any related borrowing costs whilst facilitating development and regeneration and also support local authority functions. The fund was previously approved at a level of £400m but it is now recommended that this is increased by £100m to give a total fund value of £500m to allow headroom to cover the cost of local regeneration schemes.

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.

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 £368.72m for the period 2020/23, comprising £168.72m in respect of the General Capital Programme and £200.00m for the Investment Fund
5. approve additional prudential borrowing of £6.92m to support the general capital programme, as detailed in Paragraph 11, and £100m to support the Asset Investment Strategy; and
6. the Prudential and Local Indicators as set out at Appendix 3 of this report.

Contact person for access to background papers and further information:

Name: Frank Fallon

Extension: 4170

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 2020/23 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: | None arising out of this report. |
| 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, including £35.9m for the Mayor's Cycling and Walking Challenge Fund and £482k tree replacement programme. |
| Staffing/E-Government/Asset Management Implications | A number of improvement schemes are being undertaken in 2020/23. |
| Risk Management Implications | Assumptions have been made on land sale projections and the level of receipts to be generated in 2020/21 to 2022/23. An annual review will be undertaken of the future Land Sale Programme 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. If the fair value of these assets falls then consideration will be given to making additional charges to the revenue budget. |
| 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. |

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 21 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 £368.72m for the period 2020/23, comprising £168.72m in respect of the General Capital Programme and £200m for the Investment Fund, inclusive of the proposed £100m addition,
- approve additional prudential borrowing of £6.92m to support revenue generating investment opportunities as detailed in Paragraph 11; and £100m to support the Asset Investment Strategy; and
- the Prudential and Local Indicators as set out at Appendix 3 of this report.

Other Options

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

Consultation has 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 2020/23. 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 (type in initials)GB.....

Legal Officer Clearance (type in initials)JLF.....

CORPORATE 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 ***"Working together to build the best future for all our communities and everyone in Trafford"***.

OBJECTIVES

The high level objectives for the Council's capital investments 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. Also ensuring the right capital assets are fit for purpose for the Council and partners and supports the priorities in the asset management plans
- ❖ Ensure health and safety and other schemes of a statutory nature are delivered
- ❖ Support the reshaping of Council services and delivery of services "in-house" where appropriate
- ❖ Support achievement of Corporate Objectives and key priorities :



Building Quality, Affordable and Social Housing



Health and Wellbeing



Successful and Thriving Places



Children and Young People



Pride in Our Area



Green and Connected



Targeted support

❖ Specific priorities include:-

- Regeneration of Strategic Locations including, Stretford Civic Quarter, Sale Town Centre development and the Stretford and Altrincham Town Centre Masterplans
- Development of the Bee Network/cycle schemes
- Leisure Centre Strategy
- Investment in Highways and Infrastructure
- Secondary Schools - Expansion Programme and Improvement
- One Public Estate, particularly relating to new health related provision and best use, including rationalisation of public sector assets
- Adult Social Care – In-house dementia support
- Increase the availability and range of suitable housing options for older people within Trafford and improve the quality and standard of existing housing.
- Affordable Housing
- Appropriate levels of housing measures to address spatial framework
- Major infrastructure schemes to support new housing development, including Carrington Relief Road - A1 Route
- Parks, greenspaces and tree planting programme
- 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 2020-2023 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, purchase of green assets and working with potential delivery partners to assess their green credentials. Also as part of the ongoing review of the investments 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.

Within the indicative capital programme at Annex 1 are a number of schemes supporting the Council's carbon neutrality objectives, including substantial investment through the Mayor's challenge fund in new cycling and walking schemes, a significant investment in parks and open spaces, including new tree planting. There are also proposals to reduce the carbon emissions at Altrincham Crematorium through the introduction of two resomation cremators.

CONTEXT

In December 2017 CIPFA issued an update to the Prudential Code requiring 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 vision and priorities for the borough and the priorities we have identified as an organisation as being key to the delivery of that vision. It includes an overview of our

strategies which provide the detail of what the council will do and how we will work with our communities and our partners to deliver change to Trafford in line with these commitments.

At the heart of our vision is a common cause – we want to make Trafford a better borough. We want to make it a place where everyone has a chance to succeed and where everybody has a voice. We know we need to do things differently as the council cannot do it all. The council, by virtue of its democratic mandate, will lead the way in ensuring that this is a shared endeavour and that across Trafford there will be a more joined up approach to service delivery. Through our new vision, we are making a commitment to work together across different services and agencies to make the best use of our resources. It is aligned with our aspirations as we develop the future model for our statutory obligations and existing partnership arrangements.



Our vision is about giving people in Trafford greater choice about where they live; to build and sustain in thriving communities; and to develop areas which we can all take pride in. Our vision is about people living healthily; receiving care when they need it and having access to our green spaces. It is also about making Trafford a great place to live and work through connected transport links, so that there is a real choice of how we travel in and around our borough.

Far too many people are still getting left behind. Too many people's lives are still blighted by not having access to good housing and employment opportunities; by child poverty and health inequalities. Our vision is a call for fairness – for all children and young people to have a fair start no matter their circumstances and to ensure people get support when they need it most.

These are exciting times for Trafford and our vision aims to meet the opportunities and challenges that lie ahead. Over the next few years, this vision will be at the forefront of everything the Council does and aims to achieve.

The Priorities and outcomes for Trafford

The Council has identified seven strategic priorities that we believe are key to enabling Trafford residents, businesses and staff to thrive. Our priorities set out our aspirations for our people, place and communities, and how they can affect and improve their daily lives.

Our people are our greatest resource. Through engagement with our staff we will create an environment for staff to grow and develop life- long skills and see the benefit of their contribution to the borough. We want to be an employer of choice.

Our Priorities:



Building Quality, Affordable and Social Housing

Trafford has a choice of quality homes that people can afford



Health and Wellbeing

Trafford residents health and Well-Being is improved and Reducing Health Inequalities



Successful and Thriving Places

Trafford has successful and thriving town centres and communities



Children and Young People

All Children and Young People in Trafford will have a fair Start



Pride in Our Area

People in Trafford will take pride in their Local Area



Green and Connected

Trafford will maximise its Green Spaces, Transport and Digital Connectivity



Targeted support

People in Trafford will get support when they need it most

These priorities are not just for the Council but for the whole community and have been shared with members of the Trafford Partnerships and adopted by the NHS Trafford CCG our locality health provider. In order to make the difference we want to make, we will need to work closely and effectively with partners, residents, businesses and communities to make this a success.

PLACE SHAPING BOARD

The Trafford Place Shaping Board is led by the Executive Member for Housing and Regeneration, chaired by the Corporate Director for Place and comprising directors and senior council officers 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)

The Board will comprise of the following:

- ❖ Executive Member for Housing and Regeneration
- ❖ Chief Executive
- ❖ Corporate Director, Place
- ❖ Corporate Director of Finance and Systems
- ❖ Corporate Director of Governance and Community Strategy
- ❖ Deputy Director of Finance
- ❖ Head of Planning and Development
- ❖ Director of Property

Other Trafford Council officers will attend and contribute to the meetings according to operational need.

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:

- ❖ Increasing the resources available to the Council
- ❖ Delivering value for money
- ❖ Delivering a robust, balanced and sustainable budget (both capital and revenue)

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 Asset Investment Strategy, along with promoting economic growth in the borough, supports the revenue budget. Reductions in government funding over recent years means that the authority has been under growing pressures to incur capital expenditure on investments with the objective of realising revenue funding streams to assist with delivering public services. With the revenue funding gap expected to continue over the medium term the income streams from these investments are imperative.

The Asset Investment Strategy has been developed in conjunction with external advisors CBRE, based on outcomes the Council wishes to achieve and with reference to corporate priorities and risk appetite. A revised Investment Strategy and Investment Review is currently being prepared, to be reported to Executive in March, which will, as a matter of priority be reviewed to ensure that it reflects the current market conditions. This will include potential Brexit impacts, risks of increased cost of financing, and which areas the Council will focus its efforts in reviewing the balance achieved between the twin objectives of regeneration and achieving income. This will also have an increasing emphasis on how schemes contribute to deliver on carbon neutrality in line with Council ambitions. The Strategy seeks to acquire a balanced portfolio of investment assets capable of providing sustainable income streams to support the MTFP, facilitate development and regeneration and support local authority functions.

The objectives to be achieved through three main investment types:-

- ❖ Direct Investment (Medium to high risk and return),
- ❖ Development Debt (Medium risk; medium to high return), or
- ❖ Property Debt Investment (low to medium risk and return)

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 Corporate 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 Investment

❖ Executive Member for Housing and Regeneration

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 objectives continue 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.

The Council will also ensure that future investments are in keeping with the Council's objective and policies around environmental sustainability.

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.

A copy of latest Treasury Management Strategy can be found at:

<http://www.trafford.gov.uk/about-your-council/budgets-and-accounts/revenue-and-capital-budgets.aspx>

CAPITAL RESOURCES

External Resources

External resources available to support the Capital Programme are received from a number of

sources. These include grants from central government departments and agencies, developer contributions in the form of S.106 and S.111 agreements and 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 of surplus council assets. The programme of identifying and sale of these surplus assets is known as the Land Sales 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, government borrowing rates were increased by 1% overnight on 9th October 2019).

The bulk 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 Corporate Landlord Strategy Group 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 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 Housing 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.

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 Financial Planning Team in the 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. Also ensuring the right capital assets are fit for purpose for the Council and partners and supports the priorities in the asset management plans.
- ❖ Ensure health and safety and other schemes of a statutory nature are delivered.
- ❖ Support achievement of Corporate Objectives and the 7 key priorities.

Larger schemes have specific working groups, for example leisure strategy developments. The make-up of the groups include service departments, professional services, finance services to ensure that schemes are progressed, monitored and completed in line with the originals proposals. 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 Investment Programme for scheme slippage and new approvals.

As part of the decision making process for the Asset Investment Programme 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 Corporate Director for Finance and Systems.

RISK MANAGEMENT AND RELATIONSHIP WITH OTHER PROCESSES

It is important to note that the risk appetite is a high level view on the key areas of risk that the Council is willing to accept in pursuit of its objectives.

The risk appetite is also supported by the following:

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

It should be noted that aspects of these will be bespoke to individual areas where risk is undertaken, e.g. the treasury portfolio, asset investment strategy, place shaping strategy and direct development strategy for land development 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 Section 151 Officer 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 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 also involves members at a very early stage of a projects life cycle.

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

The knowledge and skills of officers and members are commensurate with the Council's risk appetite.

SUMMARY

Trafford is committed to ensuring that the quality of services we provide continues to improve and that we meet the changing needs of all our customers and our capital investment plans are tailored towards ensuring this happens.

This Capital Strategy is a document that is reviewed annually to set the standards for optimising investment opportunities for the community of Trafford.

Capital Programme & Prudential Indicators

CURRENT CAPITAL PROGRAMME

1. The current value of the three year programme, including re-profiled expenditure from 2018/19 and other changes as reported in the period 8 budget monitoring report is £473.18m, including £262.77 in 2019/20.
2. The Programme can be split into two distinct areas, firstly the General Capital Programme, worth £176.04m, 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 Fund, worth £297.14m, 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 Fund

| Table 1 - Capital Investment Programme 2020/21 | 2019/20 £m | 2020/21 £m | 2021/22 £m | Total £m |
|-------------------------------------------------------|-----------------------|-----------------------|-----------------------|---------------------|
| Service Analysis: | | | | |
| Children's Services | 13.68 | 15.16 | 7.35 | 36.19 |
| Adult Social Care | 3.12 | 2.86 | 2.86 | 8.84 |
| Place | 45.58 | 44.03 | 37.73 | 127.34 |
| Governance & Community Strategy | 0.74 | 0.42 | - | 1.16 |
| Finance & Systems | 2.51 | - | - | 2.51 |
| General Programme Total | 65.63 | 62.47 | 47.94 | 176.04 |
| Asset Investment Fund | 197.14 | 100.00 | - | 297.14 |
| Total Programme | 262.77 | 162.47 | 47.94 | 473.18 |
| Resourcing : | | | | |
| Capital Grants | 18.39 | 27.82 | 19.66 | 65.87 |
| External contributions | 12.98 | 6.62 | 1.50 | 21.10 |
| External Resources | 31.37 | 34.44 | 21.16 | 86.97 |
| Reserves & revenue | 3.83 | - | - | 3.83 |
| Borrowing(*) | 215.04 | 125.30 | 10.96 | 351.30 |
| Receipts – Land Sales Programme | 1.30 | 12.84 | 14.40 | 28.54 |
| Internal Resources | 220.17 | 138.14 | 25.36 | 383.67 |
| Resourcing total | 251.54 | 172.58 | 46.52 | 470.64 |
| Surplus / (Deficit) | (11.23) | 10.11 | (1.42) | (2.54) |

(*) Borrowing level includes £297.14m for Asset Investment Fund

SECTION 1 - GENERAL CAPITAL PROGRAMME

2019/20 PROGRAMME

3. The current forecasted expenditure for 2019/20 to 2021/22 is £176.04m of which £65.63m relates to 2019/20 and will deliver a number of key projects including:-
- School Places and condition works of £13.08m
 - Adult Social Care of £3.11m
 - Corporate landlord investment of £1.66m
 - Town centre regeneration and investment of £7.01m
 - Leisure Centre Strategy of £8.48m
 - Highways improvements of £23.34m
 - Parks and Open Space improvements of £3.21m
 - Housing Services of £1.62m
 - ICT investment of £2.51m
 - Other investment of £1.61m

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 support, in the next three years, from discretionary resources, i.e. capital receipts and prudential borrowing. This included uncommitted schemes in the existing programme giving priority to:-
 - invest to save schemes or those which reduce revenue liabilities,
 - schemes of a mandatory / contractual nature and
 - schemes that meet Council priorities.
 - A full review of all bids was undertaken by the Corporate Leadership Team, with bids prioritised and approved based on available funding
 - An update to the level of all capital resources available to support the new programme.
 - Identifying those schemes that can be financed from other sources e.g. prudential borrowing and external contributions.

CAPITAL RESOURCES UPDATE 2020/23

5. A review of capital resources was undertaken to determine the scope for including schemes in the Programme over the next three years and allowing for the requirement for funding the 2019/20 programme. This indicates total resources of £166.13m, an increase of £47.04m.
-

| Table 2 – Changes to available resources | Current £m | Additions £m | Total £m |
|-------------------------------------------------|-----------------------|-------------------------|---------------------|
| Capital Grants | 47.47 | 43.30 | 90.77 |
| External contributions | 8.12 | 1.17 | 9.29 |
| External Resources | 55.59 | 44.47 | 100.06 |
| Borrowing | 36.25 | 6.92 | 43.17 |
| Revenue & Reserves | 0.00 | 0.45 | 0.45 |
| Receipts – Land Sales Programme | 27.25 | (4.80) | 22.45 |
| Internal Resources | 63.50 | 2.57 | 66.07 |
| Resourcing Total | 119.09 | 47.04 | 166.13 |

External Resources

6. External resources available to support the Capital Programme are received from a number of sources. These include grants from central government departments and agencies, developer contributions in the form of S.106 and CIL agreements and contributions from bodies interested in specific projects. These resources can be very specific with little, if any, discretion on how they can be applied.

7. **Capital Grants - £90.77m** : These include grants from central government departments and agencies and the major areas include :-
 - **£21.89m** for schools related investment from the Department for Education.
 - **£6.53m** from the Ministry of Housing, Communities and Local Government for disabled facilities grants
 - **£0.43m** from Department for Digital, Culture, Media & Sport as part of a Greater Manchester wide award for a full-fibre initiative
 - **£7.20m** from the Department of Transport to support investment in highways and infrastructure
 - **£12.48m** from Homes England to support infrastructure improvements
 - **£6m** from Transport for Greater Manchester to assist with infrastructure schemes.
 - **£35.90m** from the Mayors Challenge Fund for improving the network for pedestrians and cycle users.
 - **£0.34m** from the Department for Education create places and to improve facilities for pupils with special educational needs and disabilities (SEND).

8. Included in the estimate of grants available the opportunity has been taken to adjust allocations for 2020/21 and 2021/22 and make assumptions as to the level of grant expected in 2022/23 resulting in additional resources of **£43.30m**.

| Table 3 : Updated Level of Capital Grants | 2020/21 | 2021/22 | 2022/23 | Total |
|--------------------------------------------------|----------------|----------------|----------------|--------------|
| | £m | £m | £m | £m |
| <i>New notifications/ Assumptions</i> | | | | |
| • Schools Devolved Formula | - | - | 0.36 | 0.36 |
| • Schools Maintenance | 0.01 | 0.01 | 1.77 | 1.79 |
| • Disabled Facilities | 0.16 | 0.16 | 2.18 | 2.50 |
| • GM Full-fibre Initiative | 0.43 | - | - | 0.43 |
| • Highways Structural Maintenance | - | - | 1.87 | 1.87 |
| • Highways - Pot Hole Funding | (0.04) | (0.04) | 0.14 | 0.06 |
| • Highways Incentive Fund | - | - | 0.39 | 0.39 |
| • Mayors Challenge Fund | 4.84 | 13.99 | 17.07 | 35.90 |
| Total | 5.40 | 14.12 | 23.78 | 43.30 |

9. **External Contributions - £9.29m** : The majority of other external resources are made up of Section 106 contributions from developers which cover all areas of investment. The major areas currently included are :

- **£2.37m** contribution to support infrastructure work for the development at Trafford Waters
- **£4.75m** for the continuing investment in public realm improvements in Altrincham and Stretford town centres. Funded from a mixture of developer contributions including the anticipated S.106 and S.111 contributions relating to the redevelopment of Barton Square.
- **£1.12m** contributions to support proposed improvements in leisure facilities.
- **£1.05m** of contributions to support a range of other projects.

Internal Resources

10. 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.

11. **Prudential Borrowing - £43.17m**: Current investment financed from borrowing is £36.25m and includes:

- £33.68m for development of new leisure centres in Stretford and Altrincham.
- £2.57m of general borrowing to support general investment.

As part of the review of new bids the ability to provide additional income or savings to support borrowing has been assessed and a number of schemes can support being funded in this manner; albeit business cases will be kept under review and assessed against any changes in interest rates prior to final commitment on a project. The proposals put forward for inclusion in the Capital Programme, which total **£6.92m**, are:

- New Chapel and installation of two Resomation Cremators £1.95m
- Purchase and Refurbishment of Care Home £4.00m
- Other schemes £0.97m – a range of borrowing to support other projects.

12. In a few instances, short term borrowing (up to 3 years) will need to be taken out

prior to a receipt or income stream being received which would then be used to service debt costs. This is true for the Council's direct development schemes, such as at the Brown Street or Sale Magistrate Court developments; in these instances the interest incurred would be capitalised as part of the scheme.

13. Based on the current capital programme spend profile there is potential if all schemes are completed in line with programme that an element of temporary borrowing will need to be undertaken until general capital receipts are realised. This position will be monitored throughout the year and any short term borrowing costs will be reported in budget monitoring reports. A small allowance is included within earmarked reserves to cover such costs.
14. **Reserves and Revenue – £0.45m** : There are currently a range of projects supported by the application of reserve including:
- **£0.20m** for investment in Trafford Town Hall for heating, cooling and DDA works
 - **£0.12m** in support of a range of security measures at Trafford Town Hall and Sale Waterside
 - **£0.13m** for the provision of artificial sports surface replacement
15. **Capital Receipts – £22.45m** : A review of the sites included in the current Land Sale Programme has been undertaken and an estimate for 2022/23 has been built into this programme. The land sales programme is a subject of a further report to the Executive. Total capital receipts over the next three years are expected to be £33.68m, of which £11.23m is required to support a funding shortfall in 2019/20, giving a balance of £22.45m available to support the 2020/23 programme.
16. **Self-Development Sites** - Included in the estimate of receipts of £33.68m is £21.65m from the sites that have been identified for self-development by the Council.
17. The table below gives the current position of capital receipts for 2020/21 to 2022/23:

| Table 4 : Capital Receipts | 2020/21 £m | 2021/22 £m | 2022/23 £m | Total £m |
|--------------------------------------------------------------------|----------------------|----------------------|----------------------|--------------------|
| Land Sales Programme | 4.75 | 4.67 | 3.19 | 12.61 |
| Self-development Returns | 2.10 | 14.45 | 5.10 | 21.65 |
| S.106 Release | 0.65 | - | - | 0.65 |
| Grant Repayments | 0.07 | 0.07 | 0.07 | 0.21 |
| <i>Less costs :</i> | | | | |
| Disposal costs / MRP allowance | (0.49) | (0.50) | (0.45) | (1.44) |
| Total Estimated Receipts | 7.08 | 18.69 | 7.91 | 33.68 |
| Amount required to support estimated deficit in 2019/20 | (7.08) | (4.15) | - | (11.23) |
| Net receipts available to support 2020/23 capital programme | 0.00 | 14.54 | 7.91 | 22.45 |

INDICATIVE CAPITAL PROGRAMME

18. The value of the indicative three year Capital Programme is £168.72m and a summary shown in the table below, with detailed analysis shown in Annex 1. At this stage the figures for 2020/21 are known in detail, whereas the resource position for 2021/22 and 2022/23 is less certain, but these will be updated as resources are confirmed.

| Table 5: Capital Programme and funding | Budget 2020/21 | Budget 2021/22 | Budget 2022/23 | Budget Total |
|-----------------------------------------------|-----------------------|-----------------------|-----------------------|---------------------|
| <i>Investment :</i> | £m | £m | £m | £m |
| Children's Services | 15.19 | 5.98 | 2.13 | 23.30 |
| Adult Social Care | 5.13 | 5.83 | 2.97 | 13.93 |
| Place | 40.01 | 47.81 | 41.09 | 128.91 |
| Governance & Community Strategy | 0.42 | - | - | 0.42 |
| Finance & Systems | 1.23 | 0.75 | 0.05 | 2.03 |
| Place | 0.13 | - | - | 0.13 |
| General Programme Investment | 62.11 | 60.37 | 46.24 | 168.72 |
| <i>Funding :</i> | | | | |
| Grants | 33.22 | 33.77 | 23.78 | 90.77 |
| External Contributions | 7.37 | 1.65 | 0.28 | 9.29 |
| Revenue & reserves | 0.33 | - | 0.12 | 0.45 |
| Prudential Borrowing | 15.46 | 20.90 | 6.80 | 43.17 |
| Capital Receipts available | - | 14.54 | 7.91 | 22.45 |
| Total Funding | 56.38 | 70.86 | 38.89 | 166.13 |
| Surplus / (Deficit)* | (5.73) | 10.49 | (7.35) | (2.59) |

*In the event that there is a financing deficit in year, then this could entail short-term borrowing costs which will be financed from the Major Projects earmarked reserve.

19. Included in the programme are number of "block" allocations which historically have required a further report be presented to a future Executive Meeting to agree the individual schemes to be undertaken over the period.

20. This process has resulted in delays in the ability to deliver the schemes within the appropriate timeframe and therefore affecting delivery of years two and three as schemes have to be carried forward.

21. In order to reduce these delays attached, at Appendix 4, is a list of the schemes to be undertaken in 2020/21 for the areas of the programme covering :

- Public Building Repairs and Compliance Programme - £0.37m
- Integrated Transport Programme - £0.23m
- Highways Structural Maintenance (including street lighting) - £4.10m
- Greenspace Programme - £0.91m.

22. **Public Building Repair and Compliance Programme** - 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 maintenance repair bills in the future
- Support commercial decisions such as preparing assets for immediate lease or disposal.

23. Integrated Transport Programme – The programme of schemes to be undertaken in 2020/21 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 Traffic Management schemes
- Traffic Regulation Order Programme
- Sevenways, Stretford
- Borough-wide - Boundary / Village Entry Signs

24. Highways Structural Maintenance – The programme of schemes to be undertaken in 2020/21 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.

25. 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.

26. Mayors Challenge Fund – Is a programme of work to deliver the walking and cycling element of ‘Our Network’ plan to transform Greater Manchester, Trafford have been successful in a bid based process with £35.90m being allocated to deliver 6 tranches of work.

27. 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 in the context of available conditions surveys and inspection results in the form of:

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

28. Opportunities for increased investment in the Highways Programmes for 2021/22 and 2022/23 will be prioritised as part of future budget reports.

SECTION 2 – THE ASSET INVESTMENT STRATEGY

29. The Council's Asset Investment Strategy was originally approved by the Executive in July 2017 with a further update in October 2017 when approval was given to an overall fund of £300m. The Strategy was further updated in October 2018 and in February 2019 an addition £100m was approved into the programme to continue to develop a balanced portfolio of investment assets capable of providing sustainable income streams to support the MTFP, facilitate development and regeneration and support local authority functions. Any activity is financed through prudential borrowing and included in the capital programme.
30. The Board is advised by the Corporate Director of Finance and Systems, the Corporate Director of Place and the Corporate Director of Governance and Community Strategy and to date thirteen transactions have been agreed by the Investment Management Board at a total capital cost of £373m with actual costs incurred totalling £103m by the end of 2018/19. This investment to date has already provided a net benefit to support the revenue budget in 2018/19 of £1.67m and is forecast to provide £4.76m in 2019/20.
31. The current level of commitment for 2019/20 stands at £252.52m and relates to:
- a. The purchase of the K-Site, Stretford 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 building are now complete with the first intake of students in September 2019. The joint venture is now exploring options and opportunities for the remainder of the site.
 - b. The residential development of the Brown Street site in Hale is being undertaken at a gross cost of £7.16m, inclusive of capitalised interest financing costs of £153k. The projected development value will be £8.81m, giving a net surplus of approximately £1.65m which is in line with the financing assumptions for the overall capital programme.
 - c. The fund is providing three debt facilities funded from PWLB borrowing; one of £60.80m to a developer for the construction of a new residential development at The Crescent, Salford, £60.00m in respect of the CIS building, Manchester and £67.50m in respect of the construction of a new headquarters for the HUT Group. 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.
 - d. On the 15th of October, the Council purchased the Stretford Mall and the Stamford Quarter, Altrincham, through a joint venture with Bruntwood. This had a total cost of £51.05m, with the cost split between the two partners 50:50. As part of the arrangement, the Council has provided a debt facility to Bruntwood for its share of the cost, which will provide a further revenue return to the Council.
32. The cost of acquisition of Sale Magistrates Court is included within the Investment Fund. A procurement exercise is currently in progress to appraise options for a residential development on the site. Once the final option has been identified, the costs of the scheme will also be included in the fund until a capital receipt is realised. The options for development will be reported to a future Executive Committee meeting.
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33. 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.

| Table 6 : Asset Investment Fund | Asset Category | Prior years spend £m | Current Commitment £m | Total £m |
|---------------------------------------------------|-----------------------|---------------------------------|----------------------------------|---------------------|
| <i>Total Investment Fund</i> | | | | 400.00 |
| Capital investments | | | | |
| <i>K Site, Stretford:-</i> | | | | |
| Equity in Trafford Bruntwood LLP | Equity | 9.10 | 3.15 | 12.25 |
| Development Loan to Bruntwood | Debt | 9.10 | 3.15 | 12.25 |
| Sonova House, Warrington | Acquisition | 12.17 | | 12.17 |
| DSG, Preston | Acquisition | 17.39 | | 17.39 |
| Grafton Centre incl. Travelodge Hotel, Altrincham | Acquisition | 10.84 | | 10.84 |
| Trafford Magistrates Court | Development | 4.07 | | 4.07 |
| The Fort, Wigan | Acquisition | 13.93 | | 13.93 |
| Sainsbury's, Altrincham | Acquisition | 25.59 | | 25.59 |
| Brown Street, Hale | Development | 0.66 | 6.50 | 7.16 |
| The Crescent, Salford | Debt | | 60.80 | 60.80 |
| CIS building, Manchester | Debt | | 60.00 | 60.00 |
| <i>Stretford Mall & Stamford Quarter:</i> | | | | |
| Stretford Mall, Equity | Equity | | 8.61 | 8.61 |
| Stamford Quarter, Equity | Equity | | 16.92 | 16.92 |
| Acquisition loan to Bruntwood | Debt | | 25.89 | 25.89 |
| The Hut Group | Debt | | 67.50 | 67.50 |
| Total Capital Investments | | 102.85 | 252.52 | 355.37 |
| Treasury Investments: | | | | |
| Albert Estate | Debt | | 17.62 | 17.62 |
| Total Treasury Investments | | 0.00 | 17.62 | 17.62 |
| Total Investments | | 102.85 | 270.14 | 372.99 |
| Balance available | | | | 27.01 |






34. The Strategy is being continually monitored and updated to ensure the most appropriate approach is taken going forward. Focus will still be on achieving balanced risk, secure and sustainable income streams into the medium to long

term, with particular emphasis placed on either development or investment debt across a wider geographical area.

















35. This activity has generated important income streams which are supporting the revenue budget and in order to provide sufficient headroom for new approvals it is prudent that the fund be increased by a further £100m to £500m. This will initially be utilised to fund deliver development schemes such as the Grafton Centre and Sale Magistrates Court site.

PRUDENTIAL AND LOCAL INDICATORS

36. 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 Corporate 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.
 37. All the indicators take account of the proposals in this report and a list of Prudential and Local Indicators is included at Appendix 3.
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| 2020/2023 INDICATIVE CAPITAL PROGRAMME | | | | | |
|------------------------------------------------------|---------------------------------------------------------------------------------------|--------------|-------------|-------------|--------------|
| DESCRIPTION | Council Priority (See key at end) | 2020/21 | 2021/22 | 2022/23 | Total |
| | | £m | £m | £m | £m |
| Schools |  | | | | |
| Worthington Primary School | | 1.35 | 0.43 | | 1.78 |
| Stamford Park Schools | | 5.39 | 1.73 | | 7.12 |
| Sale High School | | 0.67 | 0.22 | | 0.89 |
| Blessed Thomas Holford College | | 4.59 | 1.47 | | 6.06 |
| Devolved Formula Capital | | 0.86 | 0.36 | 0.36 | 1.58 |
| Capital Maintenance Grant | | 1.77 | 1.77 | 1.77 | 5.31 |
| Delamere School – Hydrotherapy Pool | | 0.29 | | | 0.29 |
| Longford Park School – MUGA and building adaptations | | 0.05 | | | 0.05 |
| Sub-total | | 14.97 | 5.98 | 2.13 | 23.08 |
| Children's Services | | | | | |
| Hayeswater Centre – Improving outdoor provision |  | 0.03 | | | 0.03 |
| Youth Services – Street Talk Mobile Unit |  | 0.04 | | | 0.04 |
| Liquid Logic – Children's & Delegation Portals |  | 0.15 | | | 0.15 |
| Sub-total | | 0.22 | | | 0.22 |
| Adults Social Care |  | | | | |
| Disabled Facility Grants | | 2.88 | 2.88 | 2.87 | 8.63 |
| Assistive Technology/Technology Innovation | | 0.10 | 0.10 | 0.10 | 0.30 |
| Right Care For You | | 0.05 | 0.05 | | 0.10 |
| Care Home – Purchase | | 1.40 | | | 1.40 |
| Care Home – Refurbishment | | 0.60 | 2.00 | | 2.60 |
| Shawe Road, Urmston – Complex Needs (Change of use) | | | 0.80 | | 0.80 |
| Liberty Protection Safeguards (Liquidlogic updates) | | 0.10 | | | 0.10 |
| Sub-total | | 5.13 | 5.83 | 2.97 | 13.93 |

| | Council Priority (See key at end) | 2020/21 £m | 2021/22 £m | 2022/23 £m | Total £m |
|--------------------------------------------------------------------------------------|--------------------------------------|---------------|---------------|---------------|-------------|
| Place | | | | | |
| Town Centres Loans Fund | CM | 0.10 | | | 0.10 |
| Business Loan Scheme | CM | 0.15 | 0.10 | | 0.25 |
| Altrincham Town Centre – Public Realm | CM | 2.75 | 0.50 | | 3.25 |
| Stretford Town Centre – Public Realm | CM | 1.50 | | | 1.50 |
| Greater Manchester Full Fibre | CM | 0.43 | | | 0.43 |
| Manchester Airport Investment | CM | 1.90 | | | 1.90 |
| Trafford Waters, Trafford Park - Infrastructure | CM | 2.37 | 4.08 | | 6.45 |
| Public Building Repairs and Compliance Programme (Page 32) | CM | 0.37 | 0.37 | 0.37 | 1.11 |
| Sale Waterside – Kitchen Improvements | CM | 0.10 | | | 0.10 |
| Sale Waterside – Shower and changing facilities | CM | 0.03 | | | 0.03 |
| Trafford Town Hall – Heating and cooling system | CM | 0.15 | | | 0.15 |
| Trafford Town Hall and Sale Waterside – Security | CM | 0.13 | | | 0.13 |
| Trafford Town Hall – DDA Works | CM | 0.05 | | | 0.05 |
| Altrincham Leisure Centre | CM | 6.86 | 10.00 | 5.00 | 21.86 |
| Stretford Leisure Centre | CM | 3.97 | 7.00 | 13.00 | 23.97 |
| Leisure Centre – Essential Safety and Compliance Work | CM | 0.27 | 0.27 | 0.15 | 0.69 |
| Integrated Transport Schemes (Page 33) | CM | 0.23 | 0.19 | 0.18 | 0.60 |
| Mayors Cycling and Walking Challenge Fund | CM | 4.84 | 13.99 | 17.07 | 35.90 |
| Highways Structural Maintenance (Inc Pot Hole & Highways Incentive grants) (Page 34) | CM | 3.45 | 3.25 | 3.10 | 9.80 |
| Street Lighting (Page 36) | CM | 0.65 | 0.65 | 0.65 | 1.95 |
| Carrington Relief Road | CM | 8.40 | 6.00 | | 14.40 |
| Pet Crematorium | CM | 0.06 | | | 0.06 |
| New Chapel and Installing resomation cremators | CM | | 1.00 | 0.95 | 1.95 |
| Parks Infrastructure | CM | 0.07 | 0.07 | 0.08 | 0.22 |
| Countryside Access – Infrastructure & Biodiversity | CM | 0.04 | 0.04 | | 0.08 |

| | Council Priority (See key at end) | 2019/20 £m | 2020/21 £m | 2021/22 £m | Total £m |
|---------------------------------------------------------|---------------------------------------------------------------------------------------|---------------|---------------|---------------|---------------|
| Play Area Refurbishments |  | 0.08 | 0.07 | 0.08 | 0.23 |
| Parks & Open Space, Outdoor Sports & RRF - S.106 Funded |  | 0.72 | 0.16 | 0.14 | 1.02 |
| Football Facility Provision |  | 0.25 | | | 0.25 |
| Sports Provision – Artificial surface replacement |  | | | 0.25 | 0.25 |
| Parking – Legacy Signs Management |  | 0.02 | | | 0.02 |
| Assistance to Owner Occupiers |  | 0.04 | 0.04 | 0.04 | 0.12 |
| Housing Standards / Empty Property Initiatives |  | 0.03 | 0.03 | 0.03 | 0.09 |
| Sub-total | | 40.01 | 47.81 | 41.09 | 128.91 |
| Governance & Community Strategy | | | | | |
| CCTV Transformation Programme - Phase 2 |  | 0.42 | | | 0.42 |
| Sub-total | | 0.42 | 0 | 0 | 0.42 |
| Finance & Systems | | | | | |
| Civica - New Web Front-end |  | 0.05 | | | 0.05 |
| ICT Services |  | 0.33 | 0.15 | 0.05 | 0.53 |
| Office 365 - Implementation, training etc. |  | 0.35 | 0.10 | | 0.45 |
| Cyber Resilience (link to Office 365) |  | 0.20 | | | 0.20 |
| Development / Low Code Solution |  | 0.15 | 0.15 | | 0.30 |
| Digital Integration Solution |  | 0.15 | 0.15 | | 0.30 |
| Improved Digital Resilience |  | | 0.20 | | 0.20 |
| Sub-total | | 1.23 | 0.75 | 0.05 | 2.03 |
| People | | | | | |
| GMSS - I Tent G-cloud system upgrade |  | 0.13 | | | 0.13 |
| Sub-total | | 0.13 | | | 0.13 |
| GENERAL PROGRAMME TOTAL | | 62.11 | 60.37 | 46.24 | 168.72 |
| Capital Investment Portfolio | | 200.00 | 0.00 | 0.00 | 200.00 |
| TOTAL INVESTMENT | | 262.11 | 60.37 | 46.24 | 368.72 |



Building Quality, Affordable and Social Housing



Health and Wellbeing



Successful and Thriving Places



Children and Young People



Pride in Our Area



Green and Connected



Targeted support

Prudential and Local Indicators – Estimates 2020/23

This section sets out the prudential indicators and local indicators for the Capital Programme and Asset Investment Strategy in accordance with the CIPFA Prudential Code, which are designed to support the decision making on affordability, prudence, sustainability and professional good practice.

It is required by Part 1 of the Local Government Act 2003 and related CIPFA Prudential Code for Capital Finances in Local Authorities that the Council set borrowing limits, which will be done as part of the Treasury Management Strategy and the prudential indicators dealt with in this report before the forthcoming year.

The Prudential Code was revised in 2017 and the major change is the requirement for local authorities to look at capital expenditure and investment plans in light of the overall organisational strategy and resources and ensure that decisions are being made with sufficient regard to the long run financing implications and potential risks to the authority.

The purpose of this report is to set the prudential and local indicators for Trafford for the three year period beginning 2020/21

All the indicators will be constantly monitored throughout the year. If there appears to be a danger that any of the prudential indicators will be breached for a sustained period of the time, this will be reported to Council at the earliest opportunity.

Capital Prudential Indicators

| | 2019/20 Revised £m | 2020/21 Estimate £m | 2021/22 Estimate £m | 2022/23 Estimate £m |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|
| Capital Expenditure: | | | | |
| General Programme | 65.63 | 62.11 | 60.37 | 46.24 |
| Investment Strategy | 197.14 | 200.00 | 0.00 | 0.00 |
| Capital expenditure - the table above shows the estimated capital expenditure to be incurred for 2019/20 and the following three years. Any forecasts made will vary in line with Government allocation, if any, and as such any forecasts will be updated via the capital monitoring reported through the year. | | | | |
| Capital Financing Requirement as at 31 March | 462.28 | 669.54 | 685.21 | 683.72 |
| Capital Financing Requirement (CFR) - 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). | | | | |
| Financing Cost to Net Revenue Stream | 4.5% | 6.1% | 5.8% | 6.0% |

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. The movement from 2019/20 to 2020/21 reflects a change to the Minimum Revenue Provision calculation in respect of the completion of Investment Fund Reserve.

| | | | | |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------|-------|-------|-------|
| Incremental Impact on Band D Council Tax (£) | £0.00 | £0.00 | £0.00 | £0.00 |
| Incremental impact on band D council tax – reflects the incremental impact on the Council Tax arising from new borrowing undertaken in order to finance the capital investment decisions taken by the Council during the budget cycle. The figures above reflect that any additional borrowing is supported by revenue savings or external support. | | | | |

Local Indicators for the Asset Investment Strategy

The code requires that the investment strategy includes quantitative indicators that will allow members and the public to assess the authorities total risk exposure as a result of its investment decisions. The indicators are used at the Authorities discretion and will reflect local risk appetite and capital investment strategy.

| Local Indicators for the Asset Investment Strategy | 2019/20 Revised £m | 2020/21 Estimate £m | 2021/22 Estimate £m | 2022/23 Estimate £m |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------|---------------------------|---------------------------|---------------------------|
| Gross Commercial Income | 8.09 | 17.20 | 13.65 | 11.85 |
| Gross Commercial Income – this is the total estimated level of income to be received from the acquisitions of commercial property and provision of senior debt finance and is required to support new debt costs associated the transactions, with any balance supporting the overall revenue budget. | | | | |
| Net Commercial Income Stream | 2.41 | 7.43 | 4.60 | 3.51 |
| Net Commercial Income Stream – this is the estimated level of income net of any borrowing and other costs to be received from the acquisitions of commercial property and provision of senior debt finance. | | | | |
| External Interest Cost | 3.04 | 5.27 | 5.13 | 3.76 |
| External Interest Cost – this is the interest cost of the new debt required to cover the capital cost of the new commercial activity. | | | | |
| Minimum Revenue Provision (2.0% = 50 years) | 1.33 | 2.16 | 2.16 | 2.16 |
| Minimum Revenue Provision - this is the amount of income set aside as a provision for the repayment of the debt, required to cover the capital cost of the new commercial activity. | | | | |

| | | | | |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------|--------|-------|-------|
| Risk Reserve | 1.07 | 1.93 | 1.66 | 0.89 |
| Risk Reserve - this is the amount of income set aside to reserve as contingency in the event of a reduction in commercial income levels. | | | | |
| Cumulative Investment Reserve | 1.26 | 3.18 | 4.84 | 4.45 |
| Cumulative Risk Reserve - this is the cumulative amount of reserve set aside, after annual contributions and deductions, as contingency in the event of a reduction in commercial income levels. | | | | |
| Gross Commercial Income as proportion of Net Budget | 4.93% | 10.16% | 7.54% | 6.20% |
| Gross Commercial Income as proportion of Net Budget – this illustrates the proportion of the net budget which is supported by the new commercial income streams. | | | | |

All the indicators are monitored on a regular basis. If the situation arises that any of the prudential indicators appear that they will be breached for a sustained period, then this will be reported to the Council at the earliest opportunity.

Proportionality

There are two main aspects to proportionality that need to be considered for the whole investment portfolio:

- The extent to which the Council's revenue budget is reliant on income from investments
- The value of the Council's investment portfolio that is made up of investment property

Proportionality for the authority will depend on the risk that the authority is exposed to in relation to its investment portfolio and as a minimum there needs to be an indicator set for the ratio of commercial income to net service expenditure.

Where schemes are more complex in nature the following assessment if appropriate will be made based on weighted average expected losses:

- Identification for each investment opportunity of the substantial loss events that could take place that could have a revenue impact
- Obtaining an estimate from a suitable qualified or experienced person of the range of losses that could take place and the probability of each loss event taking place.
- Identify if there are any earmarked reserves or provisions that are being made to negate risk items.

Once this information has been established calculations are carried out to identify potential revenue risks that will need to be considered as part of the decision making process and what can be done to mitigate areas of risk that are of concern.

Work is being done with external partners who have specialism in this area to access the factors of risk and probability of risk events occurring and to ensure that the appropriate levels in the risk reserves are maintained.

Block Budget Allocations**Appendix 4**

| Public Buildings Repairs and DDA Compliance Programme 2020/21 | |
|----------------------------------------------------------------------|-----------------------|
| Location | Value £000 |
| Ascot House, Sale | 133 |
| Broome House, Old Trafford | 106 |
| Chapel Road, Sale | 12 |
| Denzel Gardens, Altrincham | 13 |
| Unscheduled H&S Works | 36 |
| Public Building Repairs Programme Total | 300 |
| DDA - Compliance with the Equalities Act 2010 | 70 |
| Public Buildings Repairs and DDA Compliance Programme 2020/21 | 370 |

| Integrated Transport Programme 2020/21 | |
|-----------------------------------------------|-----------------------|
| Description | Value £000 |
| Collision Analysis | 40 |
| Traffic Regulation Orders | 15 |
| Minor Works | 50 |
| Dropped Crossing Programme | 25 |
| Sevenways, Stretford | 20 |
| Glebelands Road, Sale | 40 |
| Boroughwide – Boundary/village entry signs | 35 |
| Integrated Transport Programme Total | 225 |

| Highways Structural Maintenance Programme 2020/21 | |
|----------------------------------------------------------|-----------------------------------------------|
| Location | Value |
| Asset Management | £000 |
| Large Scale Patching | 300 |
| Public Rights of Way | 63 |
| Drainage | 320 |
| Markings, Signs and Street Furniture | 100 |
| Vehicular safety barriers and Pedestrian guardrail | 100 |
| Cycleways - Resurfacing Programme | 60 |
| Footway Resurfacing Programme | 170 |
| Joint Treatment and over banding | 100 |
| Surveys | 70 |
| Serviceability Repairs | 75 |
| Advanced Design | 55 |
| Highway Trees | 50 |
| | Asset Management Total |
| | 1,463 |
| Surface Dressing / Micro Asphalt | £000 |
| A56 Cross Street, Priory | 126 |
| Moss Lane, Hale Central | 27 |
| Great Stone Road, Gorse Hill | 63 |
| Flixton Road, Bucklow St. Martins | 147 |
| | Surface Dressing / Micro Asphalt Total |
| | 363 |
| Highways Resurfacing | £000 |
| Braemar Avenue, Stretford | 62 |
| Barton Road - Northbound, Davyhulme West | 29 |
| Ashburton Road West & Ellesemere Circle, Davyhulme East | 90 |
| Arthog Road , Hale Barns | 38 |
| Gorsey Lane, Altrincham | 46 |
| | Highways Resurfacing Total |
| | 265 |

| Location | Value |
|--------------------------------------------------------------------------------------------------|--------------|
| Highways Reconstruction | £000 |
| Black Moss Road, Bowdon | 220 |
| Grove Lane Service Rd, Hale Barns | 31 |
| Mosley Road, Gorse Hill | 45 |
| Carrington Lane, Bucklow St Martins | 228 |
| Charcoal Road, Bowdon | 55 |
| Barton Road - Southbound, Davyhulme East | 94 |
| Roaring Gate Lane, Hale Barns | 60 |
| Glebelands Road, Ashton on Mersey | 43 |
| Carrington Lane, Bucklow St Martins | 12 |
| Highways Reconstruction Total | 788 |
| Structures | £000 |
| Bridge Inspections (GI and PI) | 75 |
| Bridges Asset Management | 20 |
| Assessment/Studies/Advanced Design | 40 |
| Bridge Minor Works | 60 |
| Sale Canal, Bridge - Metrolink station | 40 |
| Sir Matt Busby Way Canal Bridge, Stretford | 30 |
| Altrincham Bridgewater Canal Bridge, | 50 |
| Graythwaite West, Hale Barns(Footbridge replacement) | 70 |
| Ashton Bridge, Carrington Spur (wards: Bucklow St.Martin, Ashton on Mersey and Urmston boundary) | 135 |
| Church St Retaining Wall, Altrincham | 50 |
| Structures Total | 570 |
| Highways Structural Maintenance Programme | 3,499 |

| Description | Value £000 |
|--------------------------------------------------------|---------------|
| Street Lighting | |
| Street Lighting - Signs / zebras | 100 |
| Street Lighting - Structural testing | 250 |
| Street Lighting - Column failures | 300 |
| Street Lighting Total | 650 |
| Highways Structural Maintenance Programme Total | 4,099 |

| Greenspace Programme 2020/21 | |
|---------------------------------------------------------|--------------|
| Location | Value |
| Path Resurfacing | £000 |
| Abbotsfield Park | 10 |
| Walton Park, Sale | 17 |
| John Leigh Park | 5 |
| Longford Park - Younger | 20 |
| Ashton Park, Sale | 10 |
| The Devisdale, Bowden | 7 |
| Victoria Park | 11 |
| Cross Lane Car Park | 7 |
| Worthington Park | 8 |
| Path Resurfacing Total | 95 |
| Parks Infrastructure and Play Equipment Renewal | £000 |
| Halecroft Park - Refurbishment of pond and surroundings | 20 |
| Longford Park - Drainage | 85 |
| Bowdon Recreation Ground - Drainage | 55 |
| Flixton Gardens and Park William Wroe – Drainage | 25 |
| Abbotsfield Park, Urmston - Drainage | 25 |
| Davyhulme Park, Urmston - Drainage | 25 |
| Moor Nook Park, Sale Moor - Drainage | 25 |
| Victoria Park - Heritage gates refurbishment | 30 |
| Play Area refurbishment - Ensure play areas remain open | 200 |
| Path system Banky Medows - Access | 20 |
| Wellacre – Access | 10 |
| Queen's Field – Bike Trail | 10 |
| Sale West Park (Design) | 5 |
| Contingency | 10 |

| | |
|--------------------------------------------------------------|-------------|
| Parks Infrastructure and Play Equipment Renewal Total | 545 |
| Infrastructure & Biodiversity | £000 |
| Tree Replacement Programme | 182 |
| Countryside Infrastructure | 40 |
| Outdoor Sports Programme | 53 |
| Infrastructure & Biodiversity Total | 275 |
| Greenspace Programme Total | 915 |