

## TRAFFORD COUNCIL

Report to: Executive and Council

Date: 17 February 2021

Report for: Decision

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

### Report Title

**CAPITAL STRATEGY, ASSET INVESTEMENT STRATEGY, CAPITAL PROGRAMME  
AND PRUDENTIAL & LOCAL INDICATORS 2021/24**

### 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 £169.94m. The proposals included in this report will result in a Capital Programme totalling £170.84m. This equates to £0.90m of over-programming over the three year programme and will be reviewed each year to ensure actual capital resources are not overcommitted. To assist with the delivery of the capital programme individual scheme proposals are included for a number of key programmes.

**Asset Investment Strategy (Appendix 2 – Section 2)** – This report highlights the Council's proposals to utilise the fund created during 2017 by acquiring a range of investment assets to facilitate development and regeneration whilst providing a sustainable revenue stream and covering any related borrowing costs and also supporting local authority functions. The fund was previously increased to a level 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 £415.40m for the period 2021/24, comprising £170.84m in respect of the General Capital Programme and £244.56m for the Investment Fund
5. approve additional prudential borrowing of £10.00m to support the general capital programme, as detailed in Paragraph 11; 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 2021/24 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, as detailed in Annex A.
Staffing/E-Government/Asset Management Implications	A number of improvement schemes are being undertaken in 2021/24.
Risk Management Implications	Assumptions have been made on the level of receipts from land sales and developments to be generated in 2021/22 to 2023/24. 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, 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.

## 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 £415.40m for the period 2021/24, comprising £170.84m in respect of the General Capital Programme and £244.56m for the Investment Fund,
- approve additional prudential borrowing of £10.00m to support revenue generating investment opportunities as detailed in Paragraph 11; 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

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 2021/24. Consultation with the public and user-groups will follow, where appropriate, once the programme is set and specific proposals within the budget allocations are developed.

### Reasons for the Recommendation

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

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

Legal Officer Clearance .....JLF.....

**CORPORATE DIRECTOR'S SIGNATURE**

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# 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
- ❖ Support the economic recovery from the effects of the Covid-19 pandemic.
- ❖ 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
- Contributing to achieve carbon neutrality
- 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 2021-2024 Capital Programme, associated financing and prudential borrowing requirements is attached as an appendix to this strategy.

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

In delivering both the Capital Programme and maintaining a mixed investment portfolio, opportunities to improve the carbon footprint will need to be explored. This will be done through exploring alternative delivery solutions around construction and working with potential partners to assess their green credentials. Also as part of the ongoing review of the 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 A 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 and a number of schemes that include the provision of EV charging points for Electric Vehicles. There are also proposals around the decarbonisation of Council buildings and a scheme 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 reports to 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)

## **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 Council's Asset Investment Strategy, which was originally drafted in September 2017, has been reviewed in order to better align with Council's strategic priorities and values, protect against near-term market uncertainty and incorporate recent guidance on Local Authority finances. The primary objective of the Asset Investment Strategy is to promote the Council's 7 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. The approved strategy document can be found here:

<https://members.trafford.gov.uk/documents/s37991/TBC%20Investment%20Strategy%20September%202020.pdf>

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

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

Representation from the Leader of the Liberal Democrat Group has not been forthcoming.

The financial performance of the investment portfolio and of each property within the portfolio is measured and reported on a bi-monthly basis by an officer group to the Executive. Annual reviews of external revaluations and net yield generated are undertaken with a view to making recommendations concerning sales or purchases and any amendments to the adopted strategy to ensure that the main objective continues to be achieved.

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

## **TREASURY MANANGEMENT**

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 government bodies, statutory and other developer contributions (e.g. S.106) and partner contributions from bodies interested in specific projects. These resources can be very specific with little, if any, discretion on how they can be applied.

### **Internal Resources**

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

### **Prudential Borrowing**

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

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

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

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

The Council is required to set prudential indicators, supplemented by local indicators, in accordance

with the CIPFA Prudential Code which are designed to support and record decisions taken on affordability, sustainability and professional good practice and these are included within the annual capital budget setting report and approved by full Council.

### **Capital Receipts**

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

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

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

### **GOVERNANCE FRAMEWORK**

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

- ❖ The Capital Strategy itself to be presented annually alongside the Medium Term Financial Strategy at Council
- ❖ All new bids are prioritised and assessed by the 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 Council's Financial Management Service.

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

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

- ❖ Support the Medium Term Financial Strategy (MTFS) by ensuring that capital investment decisions are not taken in isolation from revenue spending with specific emphasis on delivering future savings and income streams capable of supporting the revenue budget. 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.
- ❖ Supporting the economic recovery from the effects of the Covid-19 pandemic.
- ❖ Supporting the 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, legal and finance services to ensure that schemes are progressed, monitored and completed in line with the original objectives. The results and findings of these meetings are reported, on a bi-monthly basis, to Members and Senior Officers. These reports give a progress report on all schemes as well as reporting any amendments to the Capital Programme for scheme slippage and new approvals.

As part of the decision making process for the Asset Investment 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 Director of Finance

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

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

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

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

## **KNOWLEDGE AND SKILLS**

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

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

Internal and external training is offered to members on an annual basis to ensure they have up to date skills to make capital and treasury decisions. A register is also kept on member attendance. The Council ensures that members are adequately informed at each relevant stage of a project's life cycle.

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

## **SUMMARY**

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

## Capital Programme & Prudential Indicators

### CURRENT CAPITAL PROGRAMME

1. The current value of the three year programme, including re-profiled expenditure from 2019/20 and other changes as reported in the period 8 budget monitoring report to Executive in January 2021 is £452.10m, including £179.68m in 2020/21.
2. The Programme can be split into two distinct areas, firstly the General Capital Programme, worth £212.75m, 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 £239.35m, 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

<b>Table 1 - Capital Investment Programme 2020/21</b>	<b>2020/21 £m</b>	<b>2021/22 £m</b>	<b>2022/23 £m</b>	<b>Total £m</b>
<b>Service Analysis:</b>				
Children's Services	8.16	25.94	5.41	39.51
Adult Social Care	1.79	5.52	2.97	10.28
Place	28.70	86.01	44.09	158.80
Governance & Community Strategy	0.08	0.42	-	0.50
Finance & Systems	1.60	2.01	0.05	3.66
<b>General Programme Total</b>	<b>40.33</b>	<b>119.90</b>	<b>52.52</b>	<b>212.75</b>
Asset Investment Fund	139.35	100.00	-	239.35
<b>Total Programme</b>	<b>179.68</b>	<b>219.90</b>	<b>52.52</b>	<b>452.10</b>
<b>Resourcing :</b>				
Capital Grants	16.98	66.19	27.69	110.86
External contributions	2.43	5.17	1.78	9.38
<b>External Resources</b>	<b>19.41</b>	<b>71.36</b>	<b>29.47</b>	<b>120.24</b>
Reserves & revenue	0.58	0.36	0.19	1.13
Borrowing(*)	154.79	134.71	6.81	296.31
Receipts – Strategic Land Review	1.91	8.85	21.09	31.85
<b>Internal Resources</b>	<b>157.28</b>	<b>143.92</b>	<b>28.09</b>	<b>329.29</b>
<b>Resourcing total</b>	<b>176.69</b>	<b>215.28</b>	<b>57.56</b>	<b>449.53</b>
<b>Surplus / (Deficit)</b>	<b>(2.99)</b>	<b>(4.62)</b>	<b>5.04</b>	<b>(2.57)</b>

(\*) Borrowing level includes £239.35m for Asset Investment Fund

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

### **CURRENT 2020/21 PROGRAMME**

3. The current forecasted expenditure for 2020/21 to 2022/23 is £212.75m of which £40.33m relates to 2020/21 and will deliver a number of key projects including:-
  - School Places and condition works of £7.81m
  - Adult Social Care of £1.79m
  - Corporate landlord investment of £0.70m
  - Town centre regeneration and investment of £15.89m
  - Leisure Centre Strategy of £0.93m
  - Highways improvements of £9.68m
  - Parks and Open Space improvements of £0.66m
  - Housing Services of £0.48m
  - ICT investment of £1.60m
  - Other investment of £0.79m
4. The current programme was subject to a detailed review as a result of slippage from 2019/20 and impact that Covid-19 had on the ability to deliver the previously approved capital programme. This was reported during the financial year and budgets revised accordingly. As the Covid-19 pandemic continues there is still the potential for this to have an impact on the ability to deliver schemes as initially planned and will continue to be monitored and revised.
5. There is also the potential for the impact of Brexit to have implications on the ability to deliver the capital programme within planned timescales or within approved budgets although as of yet these potential implications are not yet know and will continue to be monitored and will be reported if required.
6. As reported in the P8 Monitor to Executive good progress has been made with this year's Capital Programme with £39.97m (96%) to date, of the 2020/21 budget now being committed or is programmed to start in the financial year.

### **BUDGET PROCESS**

7. As part of the budget process this year, the Programme has been reviewed to ensure it continues to meet Council priorities and remains affordable within the level of resources available; this has involved:-
    - Undertaking a capital bidding round for those projects requiring discretionary support in the next three years, i.e. capital receipts and prudential borrowing. This included uncommitted schemes in the existing programme. The bidding gave 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 the capital strategy and available funding by the Executive.
    - An update to the level of all capital resources available to support the new programme.
    - Identifying those schemes that can be financed from external contributions.
-

## CAPITAL RESOURCES UPDATE 2021/24

8. 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 2020/21 programme. This indicates total resources of £169.94m, a decrease of £2.90m.

<b>Table 2 – Changes to available resources</b>	<b>Current 2021-2023</b> £m	<b>Movement</b> £m	<b>Total</b> £m
Capital Grants	93.88	32.38	126.26
External contributions	6.95	(1.45)	5.50
<b>External Resources</b>	<b>100.83</b>	<b>30.93</b>	<b>131.76</b>
Reserves & revenue	0.55	0.42	0.97
Borrowing(*)	41.52	(23.49)	18.03
Available Receipts – Strategic Land Review and other	29.94	(10.76)	19.18
<b>Internal Resources</b>	<b>72.01</b>	<b>(33.83)</b>	<b>38.18</b>
<b>Resourcing Total*</b>	<b>172.84</b>	<b>(2.90)</b>	<b>169.94</b>

\*Excludes Asset Investment Strategy

### External Resources

9. 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.
10. **Capital Grants - £126.26m** : These include grants from central government departments and agencies and the major areas include :-
- **£30.21m** for schools related investment from the Department for Education.
  - **£8.14m** from the Ministry of Housing, Communities and Local Government for disabled facilities grants
  - **£1.57m** from the Football Foundation to assist in improving football facility provision
  - **£0.25m** from Department for Digital, Culture, Media & Sport as part of a Greater Manchester wide award for a full-fibre initiative
  - **£10.05m** from the Department of Transport to support investment in highways and infrastructure
  - **£12.33m** from Homes England to support infrastructure improvements
  - **£6.84m** from Transport for Greater Manchester to assist with infrastructure schemes.
  - **£34.74m** from the Mayors Challenge Fund for improving the network for pedestrians and cycle users.
  - **£0.43m** from the Department for Education create places and to improve facilities for pupils with special educational needs and disabilities (SEND).

- **£17.40m** from the Ministry of Housing, Communities and Local Governments Future High Streets Funds to support works in Stretford
- **£4.3m** from Salix to support decarbonisation across Council assets.

11. The estimate of grants available reflects adjusted allocations for 2021/22 and 2022/23 and make assumptions as to the level of grant expected in 2023/24, resulting in additional resources of **£32.38m**.

<b>Table 3 : Updated Level of Capital Grants</b>	<b>2021/22</b>	<b>2022/23</b>	<b>2023/24</b>	<b>Total</b>
	£m	£m	£m	£m
<b><i>New notifications/ Assumptions</i></b>				
• Schools Devolved Formula	-	-	0.36	0.36
• Schools Maintenance	-	-	1.79	1.79
• SEND Capital Funding	0.13	-	-	0.13
• Disabled Facilities	0.30	0.30	2.47	3.07
• Highways Structural Maintenance	0.06	0.06	1.94	2.06
• Highways - Pot Hole Funding	1.60		0.14	1.74
• Highways Incentive Fund	-	-	0.39	0.39
• Cycle and Ride Station	0.14	-	-	0.14
• Football Foundation	-	1.00	-	1.00
• Salix Decarbonisation Funding	4.30	-	-	4.30
• Future High Streets Fund	1.74	9.92	5.74	17.40
<b>Total</b>	<b>8.27</b>	<b>11.28</b>	<b>12.83</b>	<b>32.38</b>

12. **External Contributions - £5.50m** : 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 :

- **£0.42m** S.106 towards the Red Rose Forest
- **£4.25m** 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.
- **£0.30m** contributions to support junction improvements at Flixton road.
- **£0.53m** of contributions to support a range of other projects.

### Internal Resources

13. 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.

### 14. Prudential Borrowing - £18.03m:

Capital expenditure financed from borrowing approved last year was £41.52m and included:

- £33.82m for development of new leisure centres in Stretford and Altrincham.
- £3.25m to support project mere at Manchester Airport
- £4.45m of general borrowing to support general investment.

A report to Executive in January 2020 set out the Strategic Outcomes Planning Model (SOPM), aligning the leisure strategy with the Council's corporate plan to inform decisions on leisure facilities and services. Due to significant budget pressures the investment strategy has been reviewed to provide an affordable option that would improve the leisure centre facilities and continue to meet the objective improving health and wellbeing outcomes for a greater number of Trafford residents through increasing levels of physical activity. The formulation of this capital programme for 2021/24 now includes for the initial development and delivery of the business case for three Leisure Centre refurbishments, along with essential improvement and maintenance works across the leisure estate. Previously assumed level of Prudential Borrowing has been adjusted accordingly.

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 £0.33m, are:

- Electric Street Furniture £0.15m
- Business Loan Scheme £0.15m
- Other schemes £0.03m.

During the bidding process it was also identified that additional resources would be needed to better support the delivery of priorities within the capital strategy. To support this, provision has been made in the revenue budget for 2021/22 and 2022/23 to fund additional prudential borrowing of £5m per annum, £10m in total.

15. Short term borrowing (up to 3 years) may need to be taken out where receipts requirements are in advance of realising actual receipts or income stream being received which would then be used to service debt costs. In these cases the cost of the borrowing will need to be identified from within the Councils revenue budget. 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.
  16. **Reserves and Revenue – £0.97m** : There are currently a range of projects supported by the application of reserve including:
    - **£0.10m** for investment in Trafford Town Hall for heating and cooling system and DDA works
    - **£0.10m** in support of a range of security measures at Trafford Town Hall and Sale Waterside
    - **£0.04m** for 'Recycling on the Go' phase 2
    - **£0.13m** for the provision of artificial sports surface replacement
    - **£0.60m** additional support for Disabled Facilities programme of work
  17. **Capital Receipts – £19.18m** : A review of the sites included in the current Strategic Land Review Programme has been undertaken along with other potential receipts and an estimate for 2023/24 has been built into this programme. The Strategic Land Review Programme is a subject of a further report to the Executive. Total capital receipts over the next three years are expected to be £22.90m, this includes £17.72m from the sites that have been identified for self-development by the Council. Of the total receipts, £3.72m is required to support a
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funding shortfall in 2020/21, giving a balance of £19.18m available to support the 2021/24 programme.

18. The following table gives the current position of capital receipts for 2021/22 to 2023/24

<b>Table 4 : Capital Receipts</b>	<b>2021/22</b> £m	<b>2022/23</b> £m	<b>2023/24</b> £m	<b>Total</b> £m
Land Sales	3.24	1.71	0.60	5.55
Self-development Returns	4.02	11.10	2.60	17.72
S.106 Release	-	0.65	-	0.65
<i>Less costs :</i>				
Disposal costs / MRP allowance	(0.36)	(0.35)	(0.31)	(1.02)
<b>Total Estimated Receipts</b>	<b>6.90</b>	<b>13.11</b>	<b>2.89</b>	<b>22.90</b>
Amount required to support estimated deficit in 2020/21	(3.72)	-	-	(3.72)
<b>Net receipts available to support 2020/23 capital programme</b>	<b>3.18</b>	<b>13.11</b>	<b>2.89</b>	<b>19.18</b>



## INDICATIVE CAPITAL PROGRAMME 2021/2024

19. The value of the indicative three year Capital Programme is £170.84m and a summary shown in the table below, with detailed analysis shown in Annex A. The capital programme will be reviewed and updated in the monitoring reports to Executive throughout the year.

<b>Table 5: Capital Programme and funding</b>	<b>Budget 2021/22</b>	<b>Budget 2022/23</b>	<b>Budget 2023/24</b>	<b>Budget Total</b>
<i><b>Investment :</b></i>	£m	£m	£m	£m
Children's Services	14.08	15.83	4.71	34.62
Adult Social Care	5.02	3.17	3.17	11.36
Place	41.49	54.61	26.53	122.63
Governance & Community Strategy	-	0.06	-	0.06
Finance & Systems	1.21	0.96	-	2.17
<b>General Programme Investment</b>	<b>61.80</b>	<b>74.63</b>	<b>34.41</b>	<b>170.84</b>
<i><b>Funding :</b></i>				
Grants	39.86	63.54	22.86	126.26
External Contributions	4.71	0.79	-	5.50
Revenue & reserves	0.85	0.12	-	0.97
Prudential Borrowing	6.98	1.00	0.05	8.03
Capital Receipts available	3.18	13.11	2.89	19.18
<b>Total Funding</b>	<b>55.58</b>	<b>78.56</b>	<b>25.80</b>	<b>159.94</b>
<b>Additional Borrowing</b>	<b>5.00</b>	<b>5.00</b>	<b>-</b>	<b>10.00</b>
<b>Surplus / (Deficit)</b>	<b>(1.22)</b>	<b>8.93</b>	<b>(8.61)</b>	<b>(0.90)</b>

20. Appendix 4 is a specific list of the schemes that require approval in 2021/22 for the areas of the programme covering :

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

21. **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.

22. **Integrated Transport Programme** – The programme of schemes to be undertaken in 2021/22 has been compiled in line with the adopted Highways Infrastructure Asset Management Plan (HIAMP). The proposed schemes cover the following areas:

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

23. **Highways Structural Maintenance** – The programme of schemes to be undertaken in 2021/22 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.

24. 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.

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## SECTION 2 – THE ASSET INVESTMENT STRATEGY

25. The Council's updated Asset Investment Strategy was recently approved by the Executive. In February 2020 approval was given to increase the Asset Investment Fund to £500m, supported by prudential borrowing. The transactions that have been agreed by the Investment Management Board to date have a total committed cost of £377.26m. The facility agreement at The Crescent (£44.32m anticipated outlay) is due to be repaid in 2020/21, meaning the balance of the approved £500m which is available for further investment is £167.06m (table 6).
26. This investment to date has already provided a net benefit to support the revenue budget in 2018/19 of £1.67m, £3.12m in 2019/20 and is forecast to provide £6.71m in 2020/21.
27. The current level of commitment for 2021/22 stands at £122.57m and relates to:
- Further development work at the K-Site (Lumina Village), Stretford. The purchase of this site was completed in April 2018 and a joint venture company with Bruntwood was set up to progress the development of the site. Works on the university are now complete with the first intake of students in September 2019. The joint venture is now progressing development for the remainder of the site.
  - The residential development of the Brown Street site in Hale is being undertaken at a gross cost of £7.98m. £3.34m has been spent to date with a further £4.64m committed. The projected development return is approximately £1.1m, which is an IRR of 14%.
  - The cost of acquisition and development of Sale Magistrates Court is included within the Investment Fund. A formal planning application has now been submitted with the Planning Authority and this process is now expected to be completed by March 2021. Once approval is given for the scheme to proceed, the cost of development will come from the Investment Fund, to be repaid by sales from the site.
  - The fund is providing two debt facilities funded from PWLB borrowing; one of £19.0m to a developer for the construction of a new residential development at Castle Irwell, Salford, 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.
28. Included in the 'Prior Years' Spend' on the table are costs listed under Development Pipeline, 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 Fund envelope. Future schemes being evaluated include the Jubilee Centre, Bowdon, and Stokoe Avenue, Altrincham.
29. 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.
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<b>Table 6 : Asset Investment Fund 2021 to 2024</b>	<b>Asset Category</b>	<b>Prior years spend £m</b>	<b>Current Commitment £m</b>	<b>Total £m</b>
<b>Total Investment Fund</b>				<b>500.00</b>
<b>Capital investments</b>				
<i>K Site, Stretford:-</i>				
Equity in Trafford Bruntwood LLP	Equity	10.69	1.56	12.25
Development Loan to Bruntwood	Debt	10.69	1.56	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	4.15		4.15
The Fort, Wigan	Acquisition	13.93		13.93
Sainsbury's, Altrincham	Acquisition	25.59		25.59
Brown Street, Hale	Development	3.34	4.64	7.98
CIS building, Manchester	Debt	60.00		60.00
<i>Stretford Mall &amp; Stamford Quarter:</i>				
Stretford Mall, Equity	Equity	8.81		8.81
Stamford Quarter, Equity	Equity	16.69		16.69
Acquisition loan to Bruntwood	Debt	25.53		25.53
The Hut Group	Debt		67.50	67.50
Castle Irwell	Debt		19.00	19.00
Sorting Office – Lacy Street	Acquisition	0.86	0.10	0.96
Development Pipeline	Development	0.28		0.28
<b>Total Capital Investments</b>		<b>220.96</b>	<b>94.36</b>	<b>315.32</b>
<b>Treasury Investments:</b>				
Albert Estate	Debt	17.62	0	17.62
<b>Total Treasury Investments</b>		<b>17.62</b>	<b>0</b>	<b>17.62</b>
<b>Total Investments</b>		<b>238.58</b>	<b>94.36</b>	<b>332.94</b>
<b>Balance available</b>				<b>167.06</b>



























## PRUDENTIAL AND LOCAL INDICATORS



















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

31. 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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2021/2024 INDICATIVE CAPITAL PROGRAMME					
DESCRIPTION	Council Priority (See key at end)	2021/22	2022/23	2023/24	Total
		£m	£m	£m	£m
<b>Schools</b>					
Basic Need – School Places		0.49	3.50	1.00	4.99
Firswood Primary School		1.50	3.00		4.50
Worthington Primary School		0.43			0.43
Stamford Park Schools		1.23	5.00	1.50	7.73
Sale High School		0.71			0.71
Blessed Thomas Holford College		3.97	1.50		5.47
Barton Clough Primary School		0.36			0.36
Devolved Formula Capital		0.86	0.61	0.37	1.85
Capital Maintenance Grant		3.63	1.80	1.80	7.21
Delamere School – Hydrotherapy Pool		0.37			0.37
Small Specialist Class		0.13			0.13
<b>Sub-total</b>		<b>13.68</b>	<b>15.41</b>	<b>4.66</b>	<b>33.75</b>
<b>Children's Services</b>					
Hayeswater Centre – Improving outdoor provision		0.03			0.03
Children's Services Data Capture		0.30	0.37		0.67
Foster Carers Accommodation Improvements		0.05	0.05	0.05	0.15
Kindle Lodge Children's Home – Kitchen upgrade		0.02			0.02
<b>Sub-total</b>		<b>0.40</b>	<b>0.42</b>	<b>0.05</b>	<b>0.87</b>
<b>Adults Social Care</b>					
Disabled Facility Grants		3.97	3.07	3.07	10.11
Assistive Technology/Technology Innovation		0.10	0.10	0.10	0.30
Right Care For You		0.10			0.10
Shawe Road, Urmston – Complex Needs (Change of use)		0.80			0.80
Liberty Protection Safeguards (Liquid logic updates)		0.05			0.05
<b>Sub-total</b>		<b>5.02</b>	<b>3.17</b>	<b>3.17</b>	<b>11.36</b>

	Council Priority (See key at end)	2021/22 £m	2022/23 £m	2023/24 £m	Total £m
<b>Place</b>					
Town Centres Loans Fund		0.10			0.10
Business Loan Scheme		0.40			0.40
Altrincham Town Centre – Public Realm		2.25	0.50		2.75
Stretford Town Centre – Public Realm		1.50			1.50
Future High Streets Fund		1.74	9.92	5.74	17.40
Greater Manchester Full Fibre		0.50			0.50
Manchester Airport Investment		3.25			3.25
Trafford Waters, Trafford Park - Infrastructure		3.43	0.50		3.93
Public Building Repairs and Compliance Programme (Page 31)		0.75	0.90	0.77	2.42
Decarbonisation of Council Buildings		4.30			4.30
Watling Gate		0.13			0.13
Altrincham Driving Range		0.10			0.10
Sale Waterside – Improvements/Kitchen		0.40			0.40
Trafford Town Hall – Heating and cooling system		0.09			0.09
Trafford Town Hall and Sale Waterside – Security		0.12			0.12
Leisure Strategy – ‘Increasing Physical Activity’		1.15	1.85	6.00	9.00
Football Facility Provision		1.24	1.25		2.49
Artificial Surface Replacement		0.35	0.25		0.60
Integrated Transport Schemes (Page 32)		3.72	0.18		3.90
Mayors Cycling and Walking Challenge Fund		6.31	22.29	6.14	34.74
Highways Structural Maintenance (Inc Pot Hole & Highways Incentive grants) (Page 33)		5.07	4.81	3.26	13.14
Electrical Street Furniture		0.05	0.05	0.05	0.15
Street Lighting (Page 34)		1.00	1.00	1.00	3.00
Carrington Relief Road		0.75	9.50	3.25	13.50
New Chapel and Installing resomation cremators		1.00	0.95	0	1.95
Countryside Access – Infrastructure & Biodiversity		0.18			0.18

	Council Priority (See key at end)	2021/22 £m	2022/23 £m	2023/24 £m	Total £m
Play Area Refurbishments		0.14	0.13	0.10	0.37
Parks Infrastructure		0.34	0.26	0.15	0.75
Parks & Open Space, Outdoor Sports & RRF - S.106 Funded		0.32	0.15		0.47
Parking – P&D Machines and EV Points		0.22			0.22
Parking – Permit Software Upgrade			0.05		0.05
Assistance to Owner Occupiers		0.06	0.03	0.03	0.12
Housing Standards / Empty Property Initiatives		0.04	0.04	0.04	0.12
Community Safety - CCTV		0.50			0.50
<b>Sub-total</b>		<b>41.49</b>	<b>54.61</b>	<b>26.53</b>	<b>122.63</b>
<b>Governance &amp; Community Strategy</b>					
Waterside Arts Centre – Building Refurbishment			0.06		0.06
<b>Sub-total</b>		<b>0.00</b>	<b>0.06</b>	<b>0.00</b>	<b>0.06</b>
<b>Finance &amp; Systems</b>					
Civica - New Web Front-end		0.03			0.03
ICT Systems and Data		0.61	0.09		0.70
Office 365 - Implementation, training etc.		0.20	0.15		0.35
Cyber Resilience (link to Office 365)			0.24		0.24
Development / Low Code Solution			0.20		0.20
Windows 10 Implementation		0.37			0.37
Meeting Room – Video Conferencing Facilities			0.13		0.13
Telephony Systems/Disaster Recovery			0.05		0.05
Digital Inclusion			0.10		0.10
<b>Sub-total</b>		<b>1.21</b>	<b>0.96</b>	<b>0.00</b>	<b>2.17</b>
<b>GENERAL PROGRAMME TOTAL</b>		<b>61.80</b>	<b>74.63</b>	<b>34.41</b>	<b>170.84</b>
Capital Investment Portfolio		122.57	69.50	52.49	244.56
<b>TOTAL INVESTMENT</b>		<b>184.37</b>	<b>144.13</b>	<b>86.90</b>	<b>415.40</b>





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 2021/24

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 2021/22

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

	<b>2020/21 Revised</b> £m	<b>2021/22 Estimate</b> £m	<b>2022/23 Estimate</b> £m	<b>2023/24 Estimate</b> £m
<b>Capital Expenditure:</b>				
General Programme	40.33	61.80	74.63	34.41
Investment Strategy	16.86	122.57	69.50	52.49
<b>Capital expenditure</b> - 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.				
<b>Capital Financing Requirement as at 31 March</b>	479.04	549.93	660.42	655.59
<b>Capital Financing Requirement (CFR)</b> - 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).				
<b>Financing Cost to Net Revenue Stream</b>	6.4%	6.7%	6.9%	6.8%

**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.

<b>Incremental Impact on Band D Council Tax (£)</b>	£0.00	£0.00	£0.00	£0.00
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**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 it investment decisions. The indicators are used at the Authorities discretion and will reflect local risk appetite and capital investment strategy.

The Council has set a target of additional net income being achieved of £3m from 2021/22 to replace the income streams from investments that will end in the year. Investments have yet to be identified to deliver this target, however, the indicators listed below have been adjusted to account for the anticipated increase in turnover.

<b>Local Indicators for the Asset Investment Strategy</b>	<b>2020/21 Revised</b> £m	<b>2021/22 Estimate</b> £m	<b>2022/23 Estimate</b> £m	<b>2023/24 Estimate</b> £m
<b>Gross Commercial Income</b>	16.78	16.73	16.83	14.57
<b>Gross Commercial Income</b> – 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.				
<b>Net Commercial Income Stream</b>	6.71	7.61	6.71	4.81
<b>Net Commercial Income Stream</b> – 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.				
<b>External Interest Cost</b>	5.39	5.65	6.38	5.36
<b>External Interest Cost</b> – this is the interest cost of the new debt required to cover the capital cost of the new commercial activity.				

<b>Minimum Revenue Provision (2.0% = 50 years)</b>	2.25	2.25	2.25	2.25
<b>Minimum Revenue Provision</b> - 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.				
<b>Risk Reserve</b>	1.54	0.96	1.23	1.87
<b>Risk Reserve</b> - this is the amount of income set aside to reserve as contingency in the event of a reduction in commercial income levels.				
<b>Cumulative Investment Reserve</b>	5.44	6.39	7.62	9.50
<b>Cumulative Risk Reserve</b> - 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.				
<b>Gross Commercial Income as proportion of Net Budget</b>	9.56%	9.33%	8.60%	7.17%
<b>Gross Commercial Income as proportion of Net Budget</b> – 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 an indicator has been set, above, for the ratio of commercial income to net service expenditure.

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

**Block Budget Allocations****Appendix 4**

<b>Public Buildings Repairs and DDA Compliance Programme</b>	
<b>Description</b>	<b>Value £000</b>
Electrical testing of all Corporate sites	90
Kingsway Park Children's Home, Urmston	30
Partington Children's Centre, Partington	36
18/20 Shaw's Road, Altrincham	10
Sale West Youth Centre (Integrated with Sale West Community Centre)	18
Altrincham Town Hall Altrincham	88
Trafford Town Hall, Stretford	116
Unforeseen Urgent Works	47
<b>Public Building Repairs Programme Total</b>	<b>435</b>
DDA - Compliance with the Equalities Act 2010	70
<b>Public Buildings Repairs and DDA Compliance Programme</b>	<b>505</b>

\* In addition to the schemes above to be approved, there are a number of commitments from previous years included within the Indicative Capital Programme.

<b>Integrated Transport Programme</b>	
<b>Description</b>	<b>Value £000</b>
Collision Analysis	30
Traffic Regulation Orders	30
Minor/Medium Works	125
Dropped Crossing Programme	40
Disabled Persons Parking Places	20
<b>Integrated Transport Programme Total</b>	<b>245</b>

\* In addition to the schemes above to be approved, there are a number of commitments from previous years included within the Indicative Capital Programme.

<b>Highways Structural Maintenance Programme</b>	
<b>Description</b>	<b>Value</b>
<b>Asset Management</b>	<b>£000</b>
Large Scale Patching	350
Public Rights of Way	70
Drainage	320
Markings, Signs and Street Furniture	100
Vehicular safety barriers and Pedestrian guardrail	120
Cycleways - Resurfacing Programme	60
Footway Resurfacing Programme	200
Joint Treatment and over banding	100
Surveys	70
Serviceability Repairs	75
Advanced Design	60
<b>Asset Management Total</b>	<b>1,525</b>
<b>Surface Treatments</b>	<b>£000</b>
Brooklands Road	25
Surface dressing programme -various locations	581
Bailey Road, Gorse Hill	45
Sherborne Road, Canterbury Road to Royston Road, Davyhulme East	61
Rochester Road, Urmston, Davyhulme East	76
Crofts Bank Road, Derby Road to Station Road collated /linked. Northern Section, Urmston	108
Old Meadow Lane, Bellmouths with Delaheys Road and Wellfield Lane (82 to Wellfield Lane), Hale,	138
Manor Avenue , Woodhouse Lane R/about to Cherry Lane, Sale, Broadheath	16
Broad Lane, Hale Road to Bankhall Lane, Hale,	66
Tewksbury Ave, Urmston, Davyhulme	31
<b>Highways Resurfacing Total</b>	<b>1,147</b>

Description	Value
<b>Highways Road Resurfacing</b>	<b>£000</b>
Pritchard Street, Stretford	54
Stokoe Avenue, From Taylor Road, Altrincham	32
Oakfield, Ashton Upon Mersey	47
Oldfield Road, St Marks Avenue to Seamons Road, Altrincham –Bowdon	115
Barton Road, (phase 1 of 4) between Lostock Circle and Lostock Court, Stretford, Gorse Hill	35
Chesham Avenue, Flixton, Davyhulme West	18
Kenmore Drive , Timperley, Hale Central	31
<b>Highways Reconstruction Total</b>	<b>332</b>
<b>Highways Reconstruction</b>	<b>£000</b>
Oxford Road / Peter Street "Triangle" , (Junc w Ashley Rd to Alty Theatre) / Peter Street, Bowdon	171
Whitecarr Lane, Junction from Roaring Gate Lane to Fairywell Brook, Hale Barns	102
Black Moss Road, Bowdon	109
Sinderland Lane, junction with Whitehouse Lane, Altrincham- Bowdon	114
The Downs, Delamer Road to Junction with Woodville, Altrincham- Bowdon	98
Beechwood Ave, Flixton	60
Irlam Road, From Wellacre SKC to Woodsend Crescent junc, Davyhulme West/ Flixton	130
East Union St / Chester Road - Junction Only, Clifford	232
Gaddum Road, Bow Green to Stanhope Road, Bowdon	161
Epsom Avenue, St Marys	53
Bow Lane, from junc with Oakwood Lane to Bow Green Farm, Bowdon	102
Glebelands Road, from Sandwell Drive to Park Road, Ashton on Mersey	40
Chapel Lane , Moss Lane to Cross Lane West, Bucklow St Martins	266
Moss Lane, Oakfield Road to Urban Road. Hale Central	132
Holmefield, Priory	82
Manchester Rd/Hall Lane Roundabout , Partington, Bucklow St Martins	43
Andrews Avenue, Flixton , Davyhulme West	104
Dairyhouse Lane, Altrincham	57
<b>Highways Reconstruction Total</b>	<b>2,056</b>



<b>Description</b>	<b>Value</b>
<b>Structures</b>	<b>£000</b>
Bridge Inspections (GI and PI)	80
Bridges Asset Management	30
Assessment/Studies/Advanced Design	40
Bridge Minor Works	80
Rail Road Incursion	30
Ashburton Road W Canal Br - Subway No 1	65
Barton Dock Road - phase 2	130
Euroterminal Access Bridge	100
<b>Structures Total</b>	<b>555</b>
<b>Street Lighting</b>	<b>£000</b>
Electrical Street Furniture Replacement Programme	450
Street Lighting – Asset Management	600
<b>Street Lighting Total</b>	<b>1,050</b>
<b>Highways Structural Maintenance Programme</b>	<b>6,665</b>

\* In addition to the schemes above to be approved, there are a number of commitments from previous years included within the Indicative Capital Programme.

