Appendix One

CAPITAL STRATEGY 2021/22

1. Aims and Objectives

1.1 The overarching aim of the Council's Capital Strategy is to optimise the availability and effective use of resources to support capital projects. The Capital Strategy is intended to benefit the Council, its partners, and Stockport residents and businesses by providing a framework for optimising and managing the capital resources available to the Council, develop its overall asset infrastructure and support the achievement of the priority outcomes.

1.2 The Capital Strategy is a key part of the Council's overall policy framework. It is influenced by a number of internal and external policies, strategies and plans, and encompasses the demands of each to ensure priorities and plans are achieved in a timely manner, whilst resources are optimised.

1.3 The Council has a number of strategies and plans that influence the Capital Strategy. Many of these include assessments of the value, sufficiency and suitability of assets utilised by the Council in delivering its services. They also include indications of future capital investment that the Council will need to make to achieve their stated objectives and provide information around bids and submissions for resources to various external sources of finance.

1.4 The main outcome of the Capital Strategy is to ensure that capital investment and associated activities provide value for money and are in line with the Council's priority outcomes. This Strategy will develop and maintain firm foundations and clear guidelines and objectives for the Council's capital activities.

1.5 Key Objectives

The key objectives of the Capital Strategy are as follows:-

- Facilitate the allocation of available capital resources in line with the Council policies, strategies and plans;
- Direct resources towards high priority areas to support the Council's policies, strategies and plans;
- Enable the identification and optimisation of all sources of capital funding and ensure its effective utilisation;
- Promote the development of capital projects that demonstrate value for money, generate efficiencies and deliver improved performance, planned outputs and outcomes;
- Enable the production of a deliverable three-year rolling Capital Programme, which is set within the long-term capital investment context;
- Ensure clear and understandable links between the Capital Programme and the revenue budget in relation to financing costs and the running costs associated with capital projects;
- Ensure that the approval and subsequent funding of capital projects has regard to the Council's sound financial standing, including the maintenance of sufficient reserves and balances, and sustainable and affordable levels of debt; and,
- Ensure that property and other tangible asset management issues are fully reflected in the Council's policies, strategies and plans.

2. Key Principles

2.1 There are a number of key guiding principles that underpin the application and ongoing development of the Capital Strategy:-

- **Accountability** – to be promoted and demonstrated by Officers and Members throughout the capital planning processes, including the use of effective monitoring and reporting mechanisms.
- **Affordability** – future revenue consequences of capital projects, including the costs of capital financing, will be taken into account in determining the Council's revenue budget.
- **Prudent** – the Council will deliver a Capital Programme that is financially affordable, prudent and sustainable.
- **Efficiency** – support ways to minimise costs and generate efficiencies, particularly through invest to save initiatives, taking account of local and national targets and regional strategies and initiatives.
- **Improvement** – promote and support the achievement of improvements in service delivery and the use of resources.
- **Priorities** – the Capital Strategy will enable resources to be directed into Council priorities arising from the Council Plan.
- **Sustainability** – the Capital Strategy is a key component of the Council's drive to ensure all its resources are utilised and managed in a sustainable manner linked to the Council's aim to be carbon neutral by 2038. Environmental sustainability will be a key consideration when prioritising investment proposals.
- **Value for Money** – projects will be effectively appraised to ensure they promote, achieve and demonstrate value for money in the provision of services and the use of resources.
- **Realistic and Deliverable** – capital investment projects must be developed with realistic timescales and budgets.
- **Risk Management** – in accordance with the Council's risk management strategy, risk assessment and management principles and activities will be embedded throughout all aspects of the Capital Strategy and programming processes.
- **Consultation** – decisions made regarding the allocation of resources will be informed and influenced by the various consultation exercises undertaken by the Council.
- **Equality** – in implementing the various elements of the Capital Strategy consideration will be given to the equalities agenda and every effort will be made to ensure that there is no potentially adverse impact on any particular disadvantaged group.
- **Partnership and Collaborative Working** – in delivering the Capital Strategy the Council will seek to work effectively with partner organisations within the Borough, with other local authorities (particularly within the Greater Manchester Region), including Greater Manchester Combined Authority (GMCA) and with the relevant regional and national agencies.

3. Development of Capital Investment Projects

3.1 There are a number of activities and mechanisms that may instigate capital investment proposals, key elements include:-

- Specific allocation of capital resources – the Council receives notification from Government Departments and other funding bodies of capital grant awards and contributions, which are allocated for specific purposes;

- Submission of funding bids – the Council is invited to submit bids and plans for capital funding available through Government Departments and other funding bodies, usually to address specific aims and objectives;
- Individual capital investment projects are identified that will deliver specific priority outcomes within a given timeframe. Often, there is no specific funding stream available for these projects.

3.2 Proposed capital investment projects must clearly demonstrate how the investment will address specific needs or achieve certain outcomes, including how they will support specific Council priorities, strategies and plans. Key steps in developing capital investment projects include:-

- **Project Appraisal** - proposed projects will need to demonstrate that they are the best option available to deliver the expected outcomes, provide value for money outcomes and outputs and that the probability and impact of risks associated with all the main factors and assumptions contained in projects and funding sources are adequately assessed. This includes the affordability within the revenue budget of any direct additional revenue implications of implementing the capital project. It also includes the affordability within the revenue budget over the long-term of the debt repayment and interest costs associated with any prudential borrowing undertaken to fund capital projects. Capital investment appraisals must give full consideration to both financial and environmental viability, prioritising those projects that will have the most beneficial impact on carbon emissions.
- **Project Management** – project management is essential in delivering effective capital projects.
- **Capital Programme Control and Monitoring** – an essential element of overall project management requires that regular reports and updates are produced to provide information on the progress and outcomes of capital projects to ensure they are being delivered effectively. All capital investment schemes will be included in the Council's rolling three-year Capital Programme, which is approved by Members and reported on a quarterly basis.
- **Post Project Evaluation** – all major capital projects should be subject to a final evaluation, setting out what it delivered against what was planned, the results of which will be formally reported.
- **Strategy Review** – the Capital Strategy and Capital Programme will be reviewed and updated annually.
- **Consultation** – this Strategy, the Capital Programme and annual budget considerations will be shared with partners and other relevant bodies, and their responses sought. Details will also be made available on the Council's website and the views of focus groups representing the residents and businesses of the Borough will be ascertained.
- **Capital Resource Forecasts** – sound forecasting mechanisms need to be in place to forecast with some degree of confidence the levels of all capital resources available to the Council at all times.

4. Capital Investment Funding Strategy

4.1 Whilst capital investment is driven by the Council's strategic objectives, the Council must be able to demonstrate, in accordance with the Prudential Code, that the investment is affordable, financially prudent and sustainable. Future capital investment is constrained by the limited availability of funding resources, such as grant funding. The Council must therefore rely on internal capital resources and look to identify and unlock new/other external funding sources to ensure that capital investment in the Borough continues. As resources are limited, there are a number of key policies that underpin the processes, which determine how capital resources are allocated, including:-

- **Grant funding** – the Council's default policy is to allocate grant funding received for the original purpose intended by the funding provider. The Council does have discretion to allocate the resource to different schemes in some cases but there is a risk that by doing so, the Council will not deliver certain outcomes expected and therefore may reduce eligibility for this funding stream in future years. Therefore, any change to the policy for allocation should be agreed with the Corporate Leadership Team and with relevant Member agreement where appropriate.
- **External contributions/commuted sums** – these are usually provided for specific purposes, e.g. developer agreements, therefore these are allocated for this purpose.
- **Bidding for external capital resources** – care needs to taken to ensure that costs and risks attached to preparing a bid and obligations tied to specific outcomes do not outweigh the benefits of receiving the additional funding. External bids and information submitted to support capital allocations should be considered by the relevant Senior Management Team, Corporate Leadership Team and approved by the relevant Cabinet Member. Whilst the Council will always seek to obtain additional resources to support its own needs and priorities it has to operate within the constraints established for the various bidding processes as determined by the funding providers, including where required, joining with other authorities and partnerships to bid for resources on a multi-area basis.
- **Capital Receipts** – some capital receipts are ringfenced for a particular purpose, e.g. Education and Housing Revenue Account (HRA) capital receipts, and such receipts remain ringfenced for that purpose. There may be other instances where a specific capital receipt is identified as essential funding for a particular capital investment project, in which case it is ringfenced to support that particular scheme. The Cabinet (or Cabinet Member) will approve all ringfencing proposals as appropriate. All other capital receipts generated are for corporate allocation as determined by the Section 151 Officer.
- **Generation of Capital Receipts -** the generation of corporately available capital receipts to fund the Capital Programme is an integral and essential element of the overall capital strategy. Surplus property will be identified through the asset management framework procedure. Property issues can be complex and bringing forward assets for sale will be considered by the relevant Officer Group(s) before advice is provided to Cabinet.
- **Revenue Contributions to Capital Outlay (RCCO)** – resources may be set aside from revenue budgets and reserves to fund specific capital expenditure.
- **Prudential borrowing** - the Council may support capital investment projects with prudential borrowing provided it is prudent, affordable and sustainable and approved by the Cabinet for use within the affordability parameters set out in the Council's Treasury Management Strategy. There are two types of prudential borrowing:-
    - Directly funded borrowing - this is financed from service cash limit budgets. A robust business case must be developed demonstrating the efficiency savings that will offset the associated future cost of servicing debt. It must clearly set out how revenue budgets can meet the future repayments, which must be in line with the useful life of the asset, up to a maximum of 40 years (50 years for land).
    - Unsupported borrowing – this is where the capital expenditure is financed corporately. This can enable flexibility in the funding of the Capital Programme,

for example, it could be used as temporary funding pending release of funds from the sale of property. However, with regard to permanently funding schemes, it should be used as funding of last resort where a scheme is considered critical and essential to delivering priority outcomes for the Council and there are no other funding streams available. Annual repayments from corporate non-cash limit revenue budgets must be in line with the useful life of the asset, up to a maximum of 40 years (50 years for land).

5. Prioritisation of Corporate Capital Resources

5.1 Project managers are required to provide comprehensive details of projects that do not have specific funding streams setting out the amount of corporate financial support required. It is expected that schemes are managed within that original allocation of funding, meaning that a further funding request will have to be submitted through the usual approval processes for any additional funding requirements to complete the project and any balances remaining unspent on completion of the project are returned.

5.2 The table below provides a brief indication of how all schemes requiring corporate capital funding are prioritised.

Priority	Type of Project
Highest Priority	Unavoidable capital expenditure due to an emergency.
	Projects considered high priority in terms of delivering priority outcomes per the Council Plan.
	Projects necessary to deliver mandatory or legislative service delivery requirements.
	Projects that give rise to revenue savings or income generation. These can be developed as invest to save projects
	Projects attracting additional external funding support.
	Projects which improve and repair asset stock, demonstrate clear links to the Asset Management Plan and reduce the need for revenue maintenance in the future.
Lowest Priority	Projects which are not mandatory attract low external support or result in increases in revenue costs.

6. Governance Framework

6.1 The long-term aim of this Strategy is to introduce a sustainable, workable system for prioritising capital projects, which delivers an annual Capital Programme supporting the Council's strategic priorities and offering best value for money.

6.2 The Capital Strategy has strong linkages to both regional as well as local plans and strategies and provides a framework within which the Council's capital investment plans can be delivered. The Strategy demonstrates how the Council is prioritising, targeting and measuring the performance of its capital resources to stimulate greater effectiveness and better value for money from public expenditure to support the achievement of its key objectives and priorities, cross cutting activities, initiatives and local and national priorities.

6.3 New capital investment projects are created to address specific needs or achieve certain outcomes. Any new proposals must clearly demonstrate how they will support specific Council priorities, strategies and plans.

6.4 All new capital investment proposals must be fully appraised and funding allocated with due regard to the funding strategy, the details of which are set out in this report. The appraisal must incorporate internal officer experience, knowledge and skills, supported by external professional advisors where necessary and appropriate, to ensure robust decisions are made. The appraisal should include:-

- Full scoping of proposed investment, including risk assessments, appropriate due diligence, fully developed project management arrangements, outcomes to be delivered;
- Financial implications associated with the investment, including potential impact on prudential indicators and borrowing limits;
- Consideration of any grant conditions or other funding restrictions.

6.5 All capital investment decisions must be approved by the Corporate Leadership Team (CLT). They will then follow the Council's democratic decision-making and scrutiny processes to ensure that Officers and Members have full accountability and stewardship for the investment decisions made.

6.6 There are circumstances when decisions to approve new capital investment schemes may instead be delegated to the appropriate Cabinet Member in conjunction with relevant Corporate or Service Director, these are where:

- All scheme costs, revenue financial implications and risks associated with the scheme can be managed within earmarked resources approved for that purpose or appropriate service cash limits;
- Appropriate consultation has taken place with key stakeholders including, for example Senior Management Teams; and,
- The cost of the scheme does not exceed £0.250m (£0.100m for school schemes, which may be approved by the relevant Corporate or Service Director).

6.7 Once approved, new capital schemes will be included in the Council's three-year Capital Programme. Officers will monitor progress and report to Members as part of the quarterly Portfolio Performance and Resources Report.

7. <u>Governance - Roles and Reporting</u>

7.1 The Section 151 Officer has a series of specific roles with regards to Treasury Management and these are set out in the Treasury Management Strategy Statement. The introduction of the Capital Strategy has extended the function of this role to include the following:-

- Preparation of a capital strategy to include capital expenditure, capital financing, and non-financial investments over a longer timeframe than the current three-year programme;

- Ensuring that the capital strategy is prudent, sustainable and affordable in the long term and provides value for money;
- Ensuring that due diligence has been carried out on all treasury and non-financial investments and is in accordance with the risk appetite of the Council;
- Ensure that the Council has appropriate legal powers to undertake expenditure on non-financial assets and their financing;
- Ensuring the proportionality of all investments so that the Council does not undertake a level of investing which exposes the Council to an excessive level of risk compared to its financial resources;
- Ensuring that an adequate governance process is in place for the approval, monitoring and ongoing risk management of all non-financial investments and long term liabilities;
- Provision to Members of a schedule of all non-treasury investments including material investments in subsidiaries, joint ventures, loans and financial guarantees if applicable;
- Ensuring that Members are adequately informed and understand the risk exposures taken on by the Council;
- Ensuring that the Council has adequate expertise, either in house or externally provided, to carry out the above;
- Creation of Treasury Management Practices, which specifically deal with how non-treasury investments will be carried out and managed, to include the following:
  - Risk management (TMP1 and schedules), including investment and risk management criteria for any material non-treasury investment portfolios;
  - Performance measurement and management (TMP2 and schedules), including methodology and criteria for assessing the performance and success of non-treasury investments;
  - Decision making, governance and organisation (TMP5 and schedules), including a statement of the governance requirements for decision making in relation to non-treasury investments; and arrangements to ensure that appropriate professional due diligence is carried out to support decision making;
  - Reporting and management information (TMP6 and schedules), including where and how often monitoring reports are taken;
  - Training and qualifications (TMP10 and schedules), including how the relevant knowledge and skills in relation to non-treasury investments will be arranged.

7.2 The role of Senior Management Teams (SMT) and Corporate Leadership Team (CLT) includes the following:-

- Formulate proposals for the Capital Strategy and associated capital policies;
- Consider strategic bids and submissions for capital funding, ensure corporate priority fit and pass comments to Cabinet Members;
- Receive reports from other strategic groups on their capital requirements and strategies to improve and optimise asset deployment;
- Advise the Cabinet on the strategic allocation of capital funding available against priorities across the whole Council;
- Monitor the three-year Capital Programme at a strategic level and pass comments to the Cabinet;
- Receive reports outlining the achievement of capital receipts targets and any complex financial issues arising from the disposal of surplus assets;
- Review the outcomes and outputs achieved through the Capital Programme;
- Co-ordinate improvements in the use of capital resources and management of the Capital Programme; and,

- Review the effectiveness of project management on projects with significant variations.

7.3 The role of the Cabinet and Scrutiny Committee with regards to capital investment includes:-
- Receive proposals for capital investment projects;
- Receive quarterly capital monitoring reports including a final outturn report;
- Review and propose updates to the Capital Strategy to Council;
- Propose annually the updated three-year Capital Programme to Council; and,
- Relevant Portfolio holders are to:
  - Receive proposals for projects for inclusion in the Capital Programme;
  - Receive reports outlining bids for capital funding; and,
  - Receive detailed capital monitoring information on schemes within their Portfolio through the provision of monitoring reports and other information.

7.4 The role of the Finance Service with regards to capital investment includes:-
- Support project managers in carrying out project appraisals;
- Support project managers in monitoring their capital projects;
- Co-ordinate the provision of all capital reports to CLT and Cabinet;
- Support SMTs and CLT;
- Co-ordinate the submission of all statutory corporate capital statistical returns; and,
- Ensure that accounting for capital is compliant with CIPFA's Code of Practice for Local Authority Accounting and Prudential Code requirements.

7.5 The role of the Project Manager with regards to capital investment includes:-
- Develop the business case for each project including full project appraisals of different options to deliver outputs and outcomes expected, engaging with external advisors as and when appropriate and necessary;
- Ensure projects are delivered on time and within the resources allocated – using appropriate project manager techniques;
- Provide regular monitoring information to Finance;
- Provide detailed project briefings to SMT, CLT and Portfolio holders when required;
- Monitor the risk associated with the project and take appropriate action to mitigate these effecting a satisfactory outcome. Ensure risks are logged and reported in line with the Council's Risk Management Framework and Strategy.

7.6 Capital projects will be monitored and reported on in the following ways:
- SMTs – review quarterly monitoring information covering physical and financial progress and issues arising. Ensure programmes are delivered within the financial allocations and expected outputs are delivered;
- CLT – use programme wide oversight role to identify synergies between projects that offer greater benefits than originally anticipated, avoid bottlenecks when projects all need similar resources at the same time, and review business cases regularly to ensure that the project is still viable. This is particularly valid when projects have been delayed significantly, have stalled, or have over-run on budget;
- Member Review - quarterly report and outturn report detailing expenditure to end of the latest quarter, progress on specific schemes, resourcing statement and requests for programme variations will be submitted to the Cabinet and relevant Scrutiny Committee; and,

- Prudential Indicators – are provided as a means to measure progress and outcomes of capital spending and its effect on revenue budgets, council tax and treasury management activities. The Prudential Code sets out statutory treasury and capital prudential indicators and these will be reported to Members as estimates in the Strategy and budget reports, a mid-year update for treasury purposes, and actuals in the year-end outturn Corporate Performance and Resources Report (CPRR) and Annual Treasury Management Report. The statutory treasury and capital prudential indicators are as follows:-

  Capital Prudential Indicators

  - Capital Expenditure
  - Capital Financing Requirement

  Affordability Prudential Indicators

  - Financing costs to net revenue stream

  External Debt Prudential Indicators (provided in the Treasury Management Strategy, Mid-year update and Annual report)

  - Authorised Limit for external debt
  - Operational Boundary for external debt
  - Actual External Debt
  - Gross debt and Capital Financing Requirements

8. Risk Management and Contingency Plans

8.1 There are a number of areas of risk in relation to the delivery of the capital projects, for example, the availability of capital resources, the delivery of schemes on time and achieving successful outcomes. From initial appraisal through to completed project, risks need to be assessed and included as appropriate on project risk register, service risk logs, directorate risk logs and eventually the corporate risk register if the impact is sufficiently great. All risks should be included in project appraisal and subsequent monitoring reporting to SMTs, CLT, Portfolio Member and/or Cabinet as appropriate.

9. Third Party Loans

9.1 Ministry of Housing, Communities and Local Government (MHCLG) statutory guidance permits Local Authorities to make loans to local enterprises, local charities, wholly owned companies and joint ventures as part of a wider strategy for local economic growth even though those loans may not all be seen as prudent if adopting a narrow definition of prioritising security and liquidity. Where making such loans authorities must ensure that total financial exposure is proportionate and apply accounting standard IFRS9 when measuring credit risk of loan portfolio, specifically that the ‘expected credit loss’ model for loans and receivables is applied.

9.2 The Council has a number of wholly owned companies and these are accounted for as long-term investments at historic cost in the Council’s Statement of Accounts. The wholly owned companies are:-

- Stockport Homes Ltd;

- Total Local Company Ltd;
- Stockport Hotel Management Company Ltd;
- Stockport Exchange Phase 2 Ltd (a dormant company); and,
- Stockport Exchange Phase 3 Ltd.

9.3 In addition to the wholly owned companies, the Council has a long-term investment shareholding in the Manchester Airport Group. This shareholding is valued every year.

9.4 The Council makes third party loans in line with the statutory guidance, for example, the loan portfolio is largely made up of loans to Stockport Homes Ltd to support the Affordable Homes schemes. These will be accounted for applying the requirements of accounting standard IFRS9.

9.5 The Council maintains appropriate credit control arrangements and will apply these to recover overdue repayments that may occur.

10. Non-Financial Capital Investments

10.1 Non-financial capital investments are non-financial assets that a Local Authority holds primarily or partially to generate a profit, for example investment property portfolios. MHCLG issued statutory guidance, effective from 1 April 2018, that requires authorities to include non-financial capital investments in their capital strategies. In particular, the guidance states that authorities must not borrow more than or in advance of their needs purely in order to profit from the investment of the extra sums borrowed. Where a Local Authority chooses to disregard the Prudential Code and MHCLG guidance, then it must report the reasons why and set out its policies in investing the money borrowed, including management of the risks, e.g. of not achieving the desired profit or borrowing costs increasing.

10.2 Following the publication of the MHCLG statutory guidance, CIPFA has produced its Prudential Property Investment Guidance during 2019/20 to address the increasing trend for authorities to purchase property solely to make an investment return. There is particular concern where authorities have used their prudential freedoms to fund their acquisitions. CIPFA reiterate the provision in the MHCLG guidance that authorities must not borrow more than or in advance of their needs purely in order to profit from the investment of the extra sums borrowed.

10.3 CIFPA’s Prudential Property Investment Guidance provides more explanation around the provisions in the Prudential Code in relation to property acquisition. A decision to acquire property intended to make an investment return will have three parts:-

- The identification of the legal powers that support the proposed transactions;
- Demonstration that the exercise of these powers would be reasonable; and,
- Confirmation that the authority wishes to take the proposed course of action.

10.4 The Prudential Property Investment Guidance relates to all acquisitions of land and/or buildings where rental income and/or capital appreciation are a substantial consideration in the decision in whether to acquire or not. However, the guidance makes an important distinction between a property that will happen to make an investment return and an investment that happens to be a property.

10.5 The Public Works Loan Board has subsequently issued new lending terms in November 2020, which further help ensure that new loans are not provided to local authorities for purely commercial investments. For any new applications the Section 151 Officer will be asked to confirm the following:

- The application is within the relevant legislation and the Council's borrowing powers;
- The date the loan is expected to be applied to expenditure;
- The spending and financing plans submitted previously to MHCLG via the annual Returns cycle in DELTA accurately reflect the Council's current plans; and,
- Confirm that the authority does not plan to buy investment assets primarily for yield in the next three years.

10.6 Stockport Council has a number of assets under the Investment Asset classification within its Statement of Accounts, for example Investment and Development Accounts assets such as Merseyway Shopping Centre and Redrock. Historically, these types of properties have been categorised in this way because they are being held to generate rental income and capital appreciation. However, the Council has many reasons for acquiring such property, for example, strategic regeneration purposes, protection of the Town Centre and supporting the local economy. The Council does not primarily acquire such assets purely for generating a profit or for providing a significant revenue stream to support the Council's finances.

10.7 The Council's Investment Properties are valued every year in line with CIPFA's Code of Accounting Practice and full disclosure is made in the Council's Statement of Accounts accordingly.

Annex A

1. Capital Programme 2021/22

a. One aim of the Capital Strategy is to deliver an annual Capital Programme that supports the Council's strategic priorities and offers best value for money. CIPFA's Prudential Code requires the Council to set a Capital Programme for the forthcoming financial year and at least the following two financial years. Below is a table setting out the 2021/22 Capital Programme, it also includes information about approved schemes that span beyond 2023/24.

Portfolio	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 Onwards £000
Adult Care and Health	280			
Economy and Regeneration	50,102	27,147	14,603	
Resources, Commissioning and Governance	50,671	3,023		40,297
Sustainable Stockport	59,165	40,749	17,066	75,026
TOTAL	**160,218**	**70,919**	**31,669**	**115,323**

b. The resources available to fund the 2021/22 three-year Capital Programme are set out in the table below. In addition, resources approved for schemes that span beyond the three-year Programme are included.

Resources	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 Onwards £000
Capital Grants	54,959	14,313	12,010	14,239
Directly Funded Borrowing	38,890	25,471	4,170	53,617
Unsupported Borrowing	45,437	9,014	3,040	4,199
Capital Receipts	3,611	3,591	33	16,788
External Contributions	1,197	23		
Commuted Sums	2,044	1,470		
Revenue Contributions (RCCO)	2,173	4,892	28	
HRA funding from MRR	11,907	12,145	12,388	26,480
TOTAL	**160,218**	**70,919**	**31,669**	**115,323**

2. Prudential Indicators

a. The Prudential Code requires Local Authorities to set prudential indicators with respect to their Capital Programme and borrowing position to ensure that its capital plans are affordable, prudent and sustainable. The Council is required to report on a number of prescribed prudential indicators to demonstrate that it is fulfilling these objectives. The prescribed prudential indicators are:-

- Estimate of capital expenditure for the forthcoming year and at least the following two financial years;
- Estimate of capital financing requirement for the forthcoming year and at least the following two financial years; and,

- Estimate of financing costs to net revenue stream for the forthcoming year and at least the following two financial years.

b. As well as the regulatory indicators, the Council has developed a further set of local prudential indicators to support the scrutiny and monitoring of capital investment plans. These indicators provide further analysis of the Capital Financing Requirement (CFR) and Minimum Revenue Provision (MRP).

c. The Council's prudential indicators for the 2021/22 three-year Capital Programme are set out below.

- Capital Expenditure
  The following table sets out the planned capital expenditure, split into General Fund (Non-HRA) and HRA, for each of the years in the proposed programme.

Capital Expenditure	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 Onwards £000
General Fund (non HRA)	119,298	36,707	18,576	40,377
HRA	40,920	34,212	13,093	74,946
Total	**160,218**	**70,919**	**31,669**	**115,323**

The following tables set out the resources available for the Capital Programme highlighting the prudential borrowing required split into General Fund (i.e. Non-HRA) and HRA.

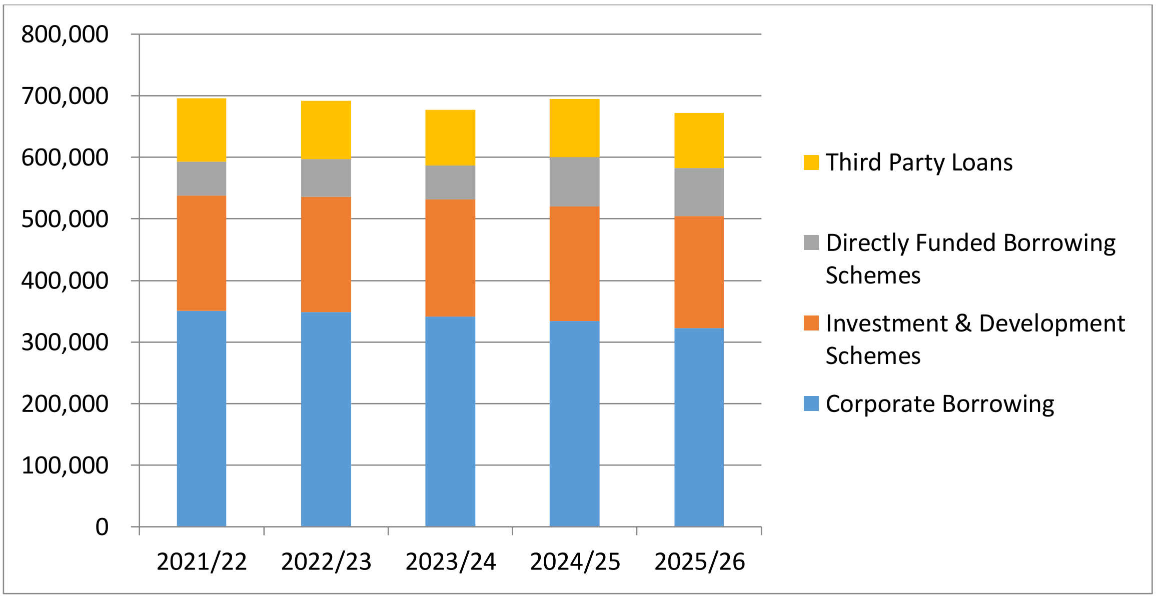
Financing General Fund	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 Onwards £000
Capital Expenditure	**119,298**	**36,707**	**18,576**	**40,377**
Financed By:				
Capital Grants	45,079	10,905	11,603	
Capital Receipts	3,611	551		893
Capital Contributions	3,241	1,493		
Revenue Contribution	2,163	4,072		
Prudential Borrowing	**65,204**	**19,686**	**6,973**	**39,484**

Financing HRA	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 Onwards £000
Capital Expenditure	**40,920**	**34,212**	**13,093**	**74,946**
Financed By:				
Capital Grants	9,880	3,408	407	14,239
Capital Receipts		3,040	33	15,895
Capital Contributions				
Revenue Contribution	11,917	12,965	12,416	26,480
Prudential Borrowing	**19,123**	**14,799**	**237**	**18,332**

- <u>Capital Financing Requirement (CFR)</u>
  This is a measure of the Council's cumulative underlying need to borrow as a result of capital investment and is split into General Fund (Non-HRA) and HRA. The table below sets out the forecast CFR for the next five years based on the approved 2021/22 Capital Programme.

Capital Financing Requirement	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000
General Fund (non HRA)	696,047	692,212	677,182	694,911	671,714
HRA	169,969	183,363	181,559	192,508	195,577
Total	**866,016**	**875,575**	**858,741**	**887,419**	**867,291**

The CFR for the General fund reflects the amount of prudential borrowing being used to support capital investment. The decrease in CFR at the end of the five years reflects the fact that capital investment decisions have yet to be made. The CFR is further analysed in the graph below, which shows the proportion of CFR relating to Corporate Borrowing, which is debt that is financed corporately from non-cash limits budgets, and those schemes which are intended to be self-financing, for example, by creating an additional revenue stream or by reducing operating costs.



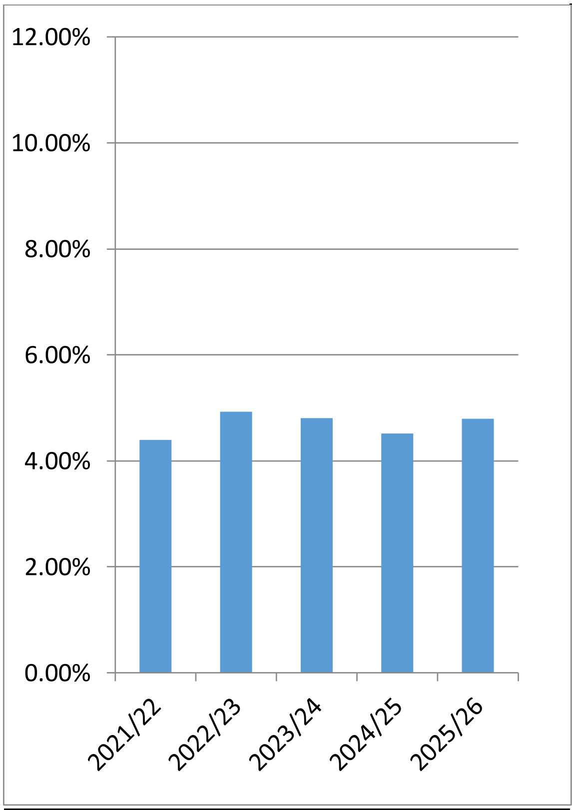
Debt that is intended to be self-financing is categorised as follows:
- Investment and Development (I&D) Schemes – major regeneration schemes, which also have a revenue/rental income stream to cover the associated capital financing costs, for example, Merseyway Development;
- Directly Funded Borrowing – schemes where the costs are borne by cash limits or recharges to schools; typically being financed by additional revenue streams or operating cost reductions; for example the Street Lighting Investment Programme; and,
- Third Party Loans – these are loans to external organisations, largely comprising loans to Stockport Homes Ltd, where the financing costs are met by those organisations.

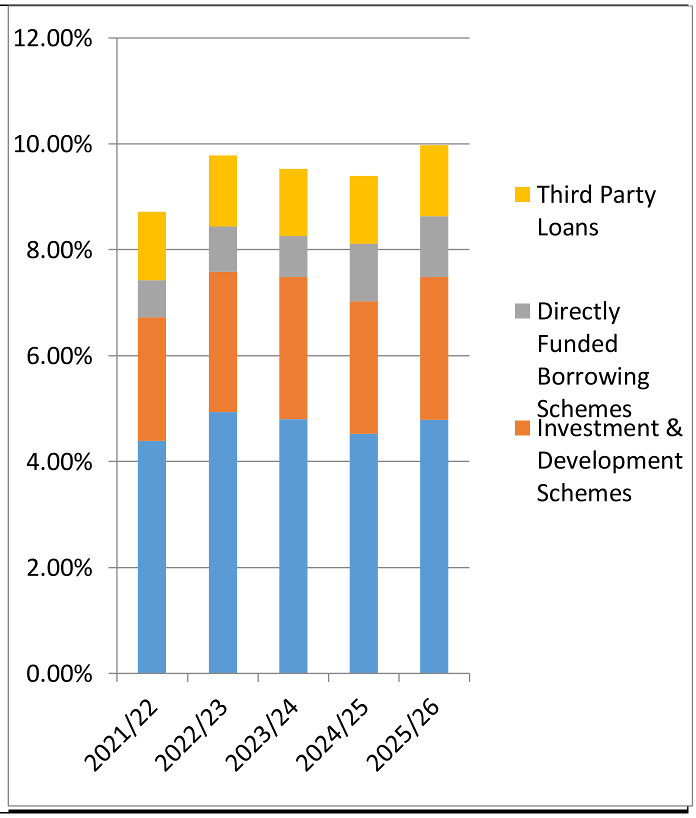
- <u>Ratio of financing costs to net revenue stream</u>
  These indicators highlight how much of the Council's General Fund revenue budget or HRA income budget is being committed to servicing the prudential borrowing. The Ratio of Capital Financing Costs to Net Revenue Stream is the percentage of the revenue budget set aside each year to service debt-financing costs. The table below sets out the forecasts for the ratio for the General Fund corporate borrowing and then for total financing costs. The financing costs included in the table below do not take account of savings made or additional income generated by services as a result of the investment but do take account of repayments made by third parties in respect of loan funding provided by the Council.

General Fund	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000
Corporate Borrowing Financing Costs	11,887	12,652	12,385	11,844	12,555
Ratio to Net Revenue Stream	**4.39%**	**4.93%**	**4.80%**	**4.52%**	**4.79%**
Total Financing Costs	23,605	25,104	24,569	24,625	26,129
Ratio to Net Revenue Stream	***8.71%**	**9.79%**	**9.53%**	**9.39%**	**9.96%**

*Additional Covid-19 grant funding increases the net revenue stream for 2021/22 thus having the effect of reducing the ratio, without this additional funding the ratio would be circa 9.3%

The graphs below illustrate the proportion of the General Fund ratio of financing costs to net revenue stream over the next five years. The left hand graph relates to Corporate Borrowing only and the right hand graph shows the total financing costs ratio, including Corporate Borrowing, Commercial Schemes, Directly Funded Borrowing Schemes and Third Party Loans.





The table below sets out the forecast of the ratio of financing costs to net revenue stream for the HRA.

HRA	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000
Total Financing Costs	5,951	6,190	6,331	6,331	6,292
Ratio to Net Revenue Stream	**10.86%**	**11.07%**	**10.90%**	**10.52%**	**10.30%**

d. Sensitivity Analysis

There are a number of assumptions made when forecasting the Council's financing costs, e.g. future interest rates and the continued Treasury Management strategy of using Council resources to finance capital expenditure instead of external borrowing, i.e. internal borrowing. The table below illustrates the impact on financing costs of changes to some of the key parameters.

General Fund	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000
Total Financing Costs	23,605	25,104	24,569	24,625	26,129
Interest rate increase +1%	1,010	1,665	1,734	1,813	1,557
Income stream reduction -10%	1,260	1,626	1,768	1,948	1,988
Reduction in funds to support internal borrowing -25%	513	412	330	247	186
Total impact on financing costs	**26,388**	**28,807**	**28,401**	**28,633**	**29,860**

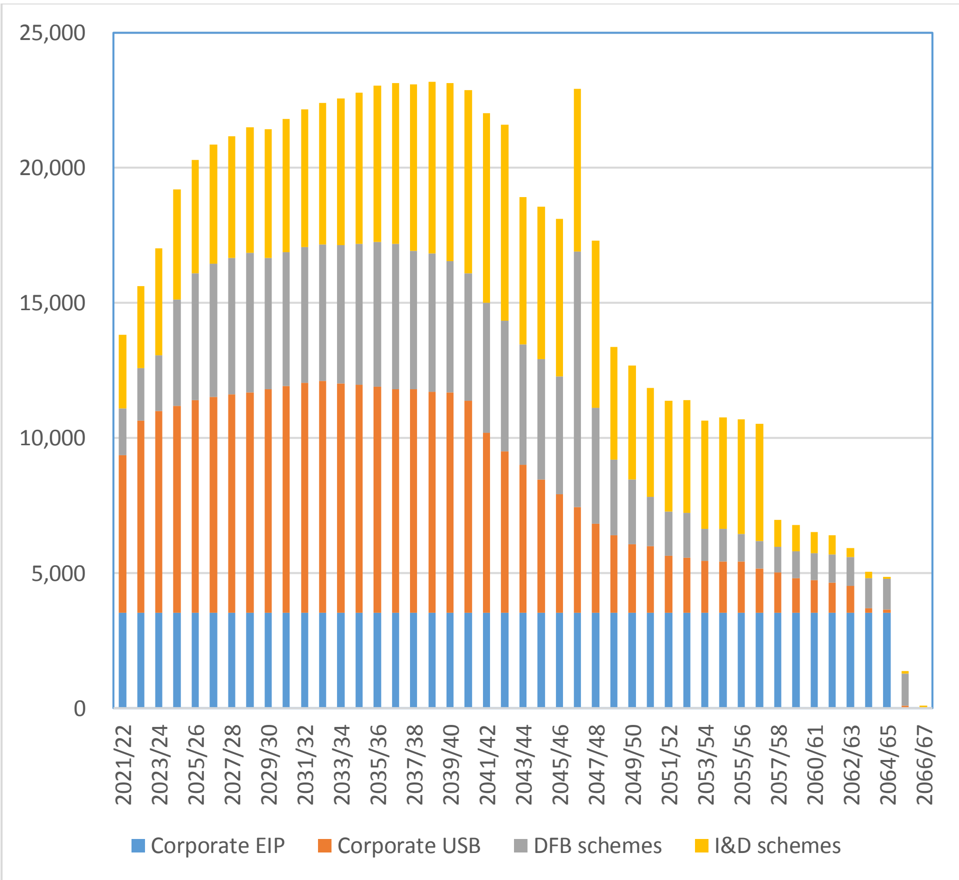
The table below illustrates the revenue implications of borrowing £10m to finance capital expenditure. The costs incurred include the interest charge on the amount borrowed, which is based on a Public Works Loan Board (PWLB) maturity loan, and the MRP charge. The MRP charge can be on an annuity or an equal instalments basis per the Council's MRP policy.

General Fund Term (years)	PWLB Maturity Rates as at 21 Jan 21	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000
Annuity						
5	0.82%	2,049	2,049	2,049	2,049	2,049
10	1.16%	1,065	1,065	1,065	1,065	1,065
25	1.72%	496	496	496	496	496
40	1.64%	343	343	343	343	343
EIP						
5	0.82%	2,082	2,066	2,049	2,033	2,016
10	1.16%	1,116	1,104	1,093	1,081	1,070
25	1.72%	572	565	558	551	544
40	1.64%	414	410	406	402	398

3. Minimum Revenue Provision (MRP)

a. Local Authority capital expenditure must be financed from capital funding, i.e. capital receipts, capital grants and capital contributions, or from revenue. Capital expenditure not financed from capital funding or revenue within the year of spend remains unfinanced and is added to the Council's capital financing requirement (CFR). Regulation 28 of the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 requires local authorities to calculate an amount of MRP (revenue) to put aside over time that is prudent to pay down their CFR. In doing so, Local Authorities should align the period over which they charge MRP to one that is commensurate with the period over which their capital expenditure provides benefits, i.e. useful life of the asset.

b. The following graph shows the Council's annual MRP commitments for prudential borrowing, including, directly funded borrowing, corporately funded borrowing (relating to existing corporate borrowing and unsupported borrowing), and I&D schemes. MRP for directly funded borrowing and I&D schemes is on an annuity basis and therefore increases over the term of the repayments. The graph does not include prudential borrowing relating to the HRA (recharged to the HRA) or third party loans (repaid by the third parties). The graph illustrates the amount of general fund revenue budget and term over which it is required to support previous and current capital expenditure plans.



Annex B

1. Capital Investment Plans and links to the Council Plan

a. Stockport Council Plan is a key strategic document setting out the Council's vision, ambitions, values and priorities. The Plan provides a framework for delivering its capital investment plans. The 2021/22 Council Plan has been developed amidst the Covid-19 pandemic, building on the strong relationships developed to deliver collectively agreed ambitions. The Council Plan reiterates its core outcomes, which are helping shape the future of the Borough with communities and partners:
   - Stockport People are able to make positive choices and be independent and those who need support will get it;
   - Stockport will benefit from a thriving economy;
   - Stockport will be a place people want to live;
   - Communities in Stockport will be safe, resilient and inclusive.

b. The Covid-19 pandemic has changed the way the Council works for ever. The joint work and collaboration that has been so prominent in the Covid-19 response has led to the development of One Stockport. The Council has worked collaboratively with partners and our communities to develop a shared long-term vision and priorities. We are shaping a future direction with four unifying themes that define the Council and these will be key to ensuring we can deliver an ambitious and hopeful future for the Borough:
   - We are a Council that is Built around our Communities;
   - We are a Council that uses Digital to the maximum;
   - We are a Council that values Partnership and Collaboration;
   - We are a Council that cares about our staff and engages them in the future;

c. Capital investment plans, including regeneration, highways, housing and education, are integral to the successful delivery of the Council's and wider region's priorities and ensuring support for the delivery of the Council's core functions. In particular, regenerating our town centre is a key priority for 2021/22, including the regeneration of Stockport Town Centre West through the Mayoral Development Corporation.

d. Taking action on climate change is a key priority within the Council Plan 2021/22. The Council will launch its action on climate change through its Climate Summit in summer 2021. Planned actions on climate change include:
   - Create more low carbon and energy efficient homes and buildings, including 40% council housing stock to incorporate renewable energy by the end of 2021 and install renewable energy systems in over 100 private homes by September 2021;
   - Reduce the carbon emissions of Council services' buildings by 10% by the end of 2021;
   - Increase renewable energy by working with developers and local community groups to install large scale solar infrastructure in three locations in the Borough;
   - Improve sustainable transport options by developing 14 walking and cycling schemes by 2023 and continue to improve public transport through the introduction of Metrolink, the creation of the new Cheadle train station and improvements through bus franchising; and,
   - Improve air quality by promoting active and public transport and introducing a Clean Air Zone in 2022.

e. The Council must transform its own services and invest in its property portfolio, housing, vehicle fleet and wider transport network. This requires a revised approach to developing capital investment plans, with investment appraisals giving full consideration to both financial and environmental viability. A new model of financial appraisal will be put in place, this will ensure climate impact is embedded into decision-making.

2. Future Capital Investment Plans

At the heart of the Council Plan is a vision for inclusive growth and collaborating with our communities, which is evident in the Council's future capital investment plans.

a. Estate and Asset Management

The Council's land and property portfolio forms one of its largest resource and, as such, should be managed and used effectively to ensure that it derives maximum benefit from its assets in support of its priorities, in particular making sure we have the right property in the right places.

Estate and Asset Management will continue to challenge and justify why assets are being retained, whilst looking at alternative options for asset use to deliver local priorities. It is essential that the Council's portfolio is fit for purpose, provides value for money and supports service delivery by the Council and its partners.

Assets will normally be retained in the Councils portfolio where:

- the assets contributes to direct or indirect service delivery;
- the asset supports economic or physical regeneration;
- provides value for money.

Capital investment in the portfolio is driven by:-

- Operational requirements - to support service delivery and redesign;
- Invest to save - capital investment to mitigate revenue expenditure;
- Non-Discretionary Spend - capital spend to fulfil statutory or regulatory requirements

The Asset Management Plan Capital Programme is £8.432m in 2021/22, which excludes amounts to potentially be carried forward from 2020/21, which is being invested to achieve the savings identified in the medium term financial plan.

A programme of condition surveys has therefore commenced to inform future investment decisions against the criteria outlined above. The programme of condition surveys will identify the backlog maintenance across the operational portfolio and inform future investment. The condition surveys completed in 2019/20 and 2020/21 are already enabling interventions to be targeted where most needed and these are not being prioritised using the same criteria as the schools' estate around four priorities:-

- Priority 1: immediate need, pressing works, often health & safety concerns;
- Priority 2: Works required within three years;
- Priority 3: Works that should be commissioned within five years;
- Priority 4: Issues that will need to be addressed between five and ten years.

Capital investment is largely funded by corporate unsupported borrowing, supplemented by minor grant funding, capital receipts allocations and revenue contributions.

The Council has committed to reduce its carbon emissions by 10% by the end of 2021, this requires investment in the estate to contribute towards this target. Surveys have been obtained for the buildings responsible for the largest proportions of energy use and therefore emissions, these surveys were funded by a grant obtained from the Low Carbon Skills Fund. Where the capital programme allows, low carbon technologies will be deployed where viable. Further grants have been applied for which if awarded will see some of these projects brought forward and delivered during 2021/22.

The first of a series of asset reviews is ongoing and expected to deliver a vision to review the office space requirements from pre-Covid-19 levels. This ambitious strategic asset review has commenced with a view to reshape the operational estate to support new ways of working and new service delivery models which have been implemented at pace to address the immediate and lasting impacts of Covid-19 to ensure that we are Building Back Better the provision into the future.

This ambitious strategic review of office accommodation seeks to address the reshaping of the operational portfolio to optimise the accommodation, provide a good quality working environment, deliver business efficiency. The scope of the first review is to consider investment into the retained office space but offset the costs and deliver savings by shrinking the footprint of the office space, reduce occupancy costs and make space available to rent by partner public sector organisations or the private sector.

b. Schools Estate Capital Strategy

Schools Estate Capital Strategy comes under the umbrella of Estate and Asset Management, which allows us to consider how we use land, building and spaces available within the Borough collectively.

The main capital grants for schools include Basic Need (BN) for additional place provision and School Condition Allocations (SCA) to address repairs, maintenance and modernisation issues. Neither grant is ring-fenced however both underpin a £25m investment to address capacity and condition issues in the schools estate as agreed by the Cabinet in 2018/19.

The Capital Strategy is guided by several principles, these are:

- To meet the Council’s statutory duty to provide a school place for every child who requires one;
- To ensure that the authority gets the most out of its spending by approaching investment in schools in a holistic manner with the aim of saving future costs;
- To ensure that our students learn in an environment that is safe, fit for purpose and conducive to learning to improve our young citizens experience;
- To ensure we have the correct educational property portfolio at an appropriate standard with a low risk of unplanned closure due to condition issues;
- To ensure we meet the targets contained in the GMCA five-year environment plan and invest in appropriate fabric and energy improvements to deliver these outcomes;
- To ensure the investment is equitable and priorities are informed by the condition surveys;
- To increase the opportunity for children to be educated within their own community through the creation of additional places in pressured wards and promote choice by focussing on the hot-spots where further school places are needed; and,

- To ensure that the school estate supports the inclusion agenda.

Investment is intended to be holistic, with as many identified needs to be dealt with at each school in a single project encompassing fabric, energy performance and building systems (mechanical and electrical). This will deliver economies of scale and the potential for improved value for money.

Identification and prioritisation of projects are based on four criteria:
- Need
- Capacity
- Deliverability
- Value for Money

Latest indications show a condition need across the education portfolio of at least £94m and could be as high as £200m if the replacement or repaired estate is to provide a modern learning environment and meet contemporary expectations over DDA, new building regulations and rising building indices since the assessments were made. This figure excludes Academy and Voluntary Aided schools, which receive capital funding through separate Central Government mechanisms.

For the current programme of work the schools have been ranked according to the value of the most urgent work (work recommended to be carried out within 2 years). All the project work recommended for 2021/22 covers work for schools that are in the top 30% ranked by immediate need.

Condition surveys will continue to be undertaken, expressed as a series of priorities:
- Priority 1: immediate need, pressing works, often health & safety concerns;
- Priority 2: Works required within three years;
- Priority 3: Works that should be commissioned within five years;
- Priority 4: Issues that will need to be addressed between five and ten years.

The general situation for primary schools is that there is place pressure in Marple, Offerton and to a lesser extent, Heaton planning areas. The pupil projections in general for Stockport show the effect of a falling birth rate which feeds in over future years. The general situation for secondary schools is that there is place pressure in South and East Planning areas. There are current projects to address capacity in progress at Stockport School (Secondary East planning area), Ludworth Primary school (Primary Marple planning area). There is a new primary school to be built by the developer as part of the Woodford Housing Development Section 106 agreement.

There are currently projects in progress to address SEND capacity with the new expanded and relocated Lisburne SEND primary school in Offerton and the new SEND secondary free school planned in Cheadle.

The most significant pressure forecast is at Bramhall High School, for which it is proposed to develop a RIBA stage 1 design to address capacity and condition need combined. Further capacity requirements will be developed through the work of the Schools Place Programme Board.

Deliverability is a function of project preparedness and funding. Intelligence around school condition and school place planning supports the planning and prioritisation of projects. Tranches of Government funding for major work can become available at short notice. It is important that the authority is ready to act when the necessity arrives and have projects that are moving towards being “shovel-ready”.

Value for Money is achieved by ensuring that projects are prioritised in line with the principles of the SCP. It is possible to batch schemes together where an individual school requires a variety of projects or where several schools require projects of the same discipline.

Similarly, where issues of condition need and capacity exist, projects are designed to address both issues as far as possible.

Full consideration will also be given to additional opportunities through one-off grants or bidding processes, which assist in the improvement of the schools estate with full review of the use of former school sites whether through disposal or re-use for education or other purposes.

Longer term, school capacity will also be impacted by Stockport development policy and opportunities will be explored in the context of future growth.

c. Transportation Capital Strategy

The Greater Manchester 2040 Transport Strategy, the Greater Manchester Delivery plan, the Stockport Local Implementation Plan and the South East Manchester Multi Modal Strategy (SEMMMS) and its draft Refresh provide the overall strategic direction for Transport until 2040. The strategies identify an overall strategic approach for the maintenance and improvement of the transportation network including improvement schemes for all modes of transport. The strategies identify that a multi-modal approach is required to deal with transport issues in the area and identifies key priorities to 2040 for transport improvements.

The Greater Manchester Delivery Plan identifies major schemes that can be delivered or developed in the next five years assuming funding for individual schemes or packages can be identified. It also identifies longer term aspirations for strategic schemes for further development work to determine whether a suitable business case can be demonstrated. The Greater Manchester 2040 Transport Strategy provides the overall strategic context for Greater Manchester Authorities and supports the Greater Manchester Strategy. The SEMMMS and its Refresh is more localised, focussing on the South East part of Greater Manchester and they have been developed in association with adjacent authorities both in Greater Manchester but also Cheshire East, High Peak and Derbyshire Councils. These documents will also support the development of the new Stockport Local Plan.

The use and management of transportation networks supports the delivery of key Council strategies and plans including the Borough Plan, Economic and Regeneration, Climate Change, Active Communities, Conservation and Heritage priorities.

The highway including carriageway, footways, cycle routes and public rights of way is the Council's largest asset and the Council has various duties to maintain the highway and support its safe usage. The Council also seeks to undertake improvements to the highway network to support the Council's, Greater Manchester's and the Government's priorities. Transportation networks are used by all residents and businesses to allow people to live, work, undertake leisure activities and services in the area. The highway network is also utilised by statutory undertakers to carry their services including gas, water, electricity, sewage and fibre optic cables.

The highway network is a significant asset for the Council and is managed utilising an asset management approach under the strategic direction of the Transportation Asset Management Plan which is due to be reviewed in 2021. The highway assets include carriageways, footways, highway structures, streetlights, highway drainage and culverts, signs and street furniture. As part of the overall approach to asset management assets whether on the highway, public rights of way, cemeteries or parks etc. are moving towards being managed and maintained by one team under one budget: One Estate. Car park maintenance is also managed by the same team and asset management plans and programmes are being developed for Merseyway and Heaton Lane carparks which both need investment.

For each type of asset there are detailed inspection regimes and data is held on the assets allowing prioritised programmes to be developed in accordance with local policies under the guidance of the Well-Maintained Highways document. Each type of asset has its own prioritised programme and these are integrated and programmed to maximise their efficiency and effectiveness. In addition, maintenance schemes are integrated into any proposed improvement schemes in the area.

As part of this overall asset management approach, the Council is funding, largely with corporate unsupported borrowing, a Highways Improvement Programme (HIP) over a number of years to focus improvement of the carriageways and footways. This programme has undergone a mid-term review and the report supported its retention and completion. Work has now commenced on developing a strategy for maintaining the network after this programme has been completed.

The Council has also agreed to fund a Street Lighting and Illuminated Infrastructure Improvement programme to convert existing streetlights to LED. This is an invest to save programme, financed using directly funded borrowing, and is expected to significantly reduce energy costs in future years.

The above strategic background provides the policy base for maintenance programmes and priorities and feeds into a more detailed three to five-year programme. Capital funding for transportation asset management comes via specific Council investment funded by prudential borrowing, e.g. HIP and Street Lighting programmes, and a capital grant which is part needs-based and part based on the Council's performance of the asset management approach. In recent years, the Council has been awarded pot hole funding both as an ongoing programme and as additional amounts through the year and this funding is utilised to support known maintenance priorities and expand existing programmes.

A reserve fund from the Capital Programme Investment Reserve has been allocated for highway maintenance and programmes have been agreed to utilise this funding. In addition, the Council has bid for specific funding for more major maintenance schemes including the Greek Street bridge, Thomson Street bridge (to improve the pedestrian and cycle facilities across the bridge) and work has commenced on the Merseyway structure.

Discussions are currently taking place with Network Rail regarding the replacement of Greek Street Bridge, the adjacent footbridge at Thomson Street and the road bridge at Stockholm Road. All these structures need replacing and the Council has to provide a contribution for a like-for-like replacement or for any improvements requested as part of that process.

The Rights of Way Improvement Plan provides the strategic framework along with Well Maintained Highways guidance and local policies for the maintenance and improvement of public rights of way.

The Council also has a flood risk management strategic function and is working to implement the Council's Flood Risk Management Strategy. Stockport has suffered significant local flooding in recent years, and this has resulted in short term flood damage repair programmes being developed and funded by revenue reserves. Following the significant flood event in summer 2019 a further package of work has been agreed which will have been substantially delivered in 2020/21 with some work taking place in 2021/22.

Transport for Greater Manchester manages and maintains the bus shelters and traffic signals on the network and the Council works closely with them regarding the improvement and maintenance of these assets. Network Rail and various rail providers manage rail stations and some of the bridges over railways within the area. The Council is working with both parties and Avanti, the rail company managing Stockport rail station, to bring forward a replacement rail station as part of the rail station masterplan. Council officers are working closely with The Town Centre West Board, who are supportive of both the rail station vision and the new Transport Interchange.
The Council is working in partnership with Transport for Greater Manchester to build a new Transport Interchange, park and residential accommodation on the existing bus station site. The development is planned to also include a new bridge and route for pedestrians and cyclists up to Stockport Exchange and the rail station. Work has commenced on the temporary bus station in Heaton Lane carpark and work on the new interchange is expected to start in summer 2022.

The transportation network needs to evolve to continue to meet the needs and aspirations of stakeholders with many conflicting priorities and uses. Congestion, air quality, towards carbon zero, road safety and the desire to promote the more sustainable forms of transport impact on network priorities with buses, pedestrians, cyclists, car, van and HGVs all competing for space on the network. The use and look of the public realm is also a priority supporting the regeneration of town, district and local centre.

Strategically proposed key major transport improvements have been identified in the Greater Manchester Delivery Plan and the draft SEMMMS Refresh with the Stockport Local Investment Plan providing more detail on smaller interventions to identify and prioritise more minor local improvements.

A number of potential schemes for Stockport have been included in this Greater Manchester Delivery Plan, including renewing Stockport rail station and improving associated rail capacity, a network of tram train/ metrolink routes to Stockport, Manchester Airport, Hazel Grove, Marple and Ashton. Highway, pedestrian and cycle improvements to the Bredbury Economic Corridor. Quality bus corridors along the A6 and to Ashton and a Bus Rapid Transit Network from Manchester Airport to a number of areas of Stockport including Hazel Grove, Bramhall, Cheadle, Cheadle Hulme and the town centre. Other rail aspirations include new rail stations at Cheadle, Adswood, Stanley Green and High Lane with an improved service to Reddish South.
The proposed rail station at Cheadle and a package of pedestrian walk and cycle improvements has been included within the Cheadle Towns Fund bid which was submitted in autumn 2020.

Recent major improvement schemes within Stockport include: the A6 to Manchester Airport Relief Road, which was opened in 2018 (however significant work remains to be done on resolving land and compensation claims); Poynton Relief Road which is part in Stockport but is being promoted and delivered by Cheshire East started on site in 2020; and the Town Centre Access Plan which will have been mostly completed by March 2021.

Stockport is in discussions with Transport for Greater Manchester (TfGM) and other local authorities regarding the Integrated Transport Block being redistributed back to the local authorities rather than continuing to stay at TfGM to support delivery of minor schemes in accordance with the 2040 Strategy.

Funding for local improvement schemes tends to be made available with specific bidding criteria and often short-lived programmes. Stockport Council will seek to bid for this funding to deliver identified strategic and local priorities, but the bid criteria define what can promoted as a scheme. Bidding opportunities are random and often have short timescales for response.

Currently, the Transforming Cities Funding has been made available for bids for pedestrian and cycle improvement schemes and the Council is still implementing projects bid for the Cycle Cities programme. Stockport Council has 14 schemes that have been accepted into the Mayoral Walking and Cycling Challenge fund programme and is working to develop these schemes, complete business cases and obtain the funding to commence construction. Several of these schemes had their business cases approved in 2020 including: Gillbent Rd, Bramhall Park to A6, Heatons Cycle Link, Cheadle Crossings, A6 MARR Links, and Offerton to Stockport.

In recent years, Department for Transport has promoted bids for pinch points in the network, a recent example where the Council gained such funding is the A560 Roscoe roundabout scheme. Generally, there is prioritisation within GM on proposals for national bids and TfGM supports GMCA by prioritising local bids. The most recent bid was for Hempshaw Lane, Offerton.

Transport for the North has identified a Major Road Network including the A34, A560 and A6 in Stockport and has identified a regional prioritised list of schemes for delivery including an A34 package. The government responded in 2020 and offered funding towards developing the Outline Business Case for this package and this is due to be submitted to Government in spring 2021 for approximately £37m. The schemes include improvements to highway capacity and the development of pedestrian and cycle facilities along the corridor including a new underpass.

d. HRA and Affordable Housing

HRA Asset Management

Stockport Homes Group (SHG) operate a thirty-year Asset Management Strategy, which sets a framework by which current and future capital investment decisions are made. The thirty-year strategy also sets out year-by-year investment to ensure the housing stock maintains a lettable standard, going beyond those standards with enhanced improvements such as low carbon technology and high-levels of thermal insulation. SHG have for many years used asset management software to report on building component life-cycles, which along with officer knowledge, creates programmes of batched works aimed at high-impact results which incorporate works of related streams for efficiency savings.

Funding for the thirty-year strategy is set aside within the HRA business plan, with £68.3m allocated from 2021-2026. Officers are constantly looking for opportunities to enhance the capital investment funds and in October 2018 secured £2.4m from European Regional Development Funds (ERDF) for mass-rollout of renewable technology and thermal wall insulation to over 450 properties. This innovative project which is called Homes as Energy Systems started on site in April 2020 and will continue to run up to December 2022. Further income continues to be received into the HRA from the Feed-in-Tariff and Renewable Heat Incentive, resulting from the 2011 solar PV installations and the Biomass portfolio.

The tragedy which struck Grenfell Towers in June 2017 has resonated across the UK Housing sector and fire safety has become a vital focal point for SHG investment. SHG have historically been very proactive regards to fire safety, dating back to pre-2009 and this has put the organisation in good position for reaction to new and emerging government fire safety policy. Further fire safety investment (£10m) is currently being deployed in the form of fire suppression sprinkler systems which is aiming to be completed by the end of March 2021 (subject to Covid-19 restrictions) with a small mop-up programme expected to continue for a number of years to complete works within hard to access properties.

Fire safety and compliance continues to dominate large volumes of capital investment and 2021/22 will see the further rollout of workstreams such as “one out – all out” fire alarm systems to the high-rise tower blocks and additional surveys called EWS1 assessments which are required in instances where occupants seek to become a leaseholders and buy their property.

The Offerton master plan is now entering the final year of its investment phase; with entire areas benefitting from new roofs, external wall insulation with enhanced features as well as extensive groundworks to redesign estates

Stockport Homes Ltd (SHL) Development
SHL has a rolling loan facility with the Council with a cap of £91.9m for the delivery of new build housing. It is projected that over the next five years there will be an additional 414 new homes built or acquired via SHL. The total forecast loan required to deliver the pipeline schemes is £39.9m, which is within the £91.9m facility. These developments will also have enabled Stockport Homes to bring into the Borough £20.4m of capital grant funding from Homes England.

Council (HRA) Development
Over the next five years it is projected that there will be an additional 509 new homes built or acquired via the HRA. The total long-term funding required to deliver the additional schemes is forecast at £37.8m. These developments will also have enabled the HRA to bring into the Borough £25.5m of capital grant funding from Homes England

e. IT Strategy

Data Network related investment is driven by the age of our existing infrastructure, which is approaching ten-years old and framed by our strategy of the Local Full Fibre Network (LFFN) and GM ONE Wide Area Network (WAN) Network partnerships. There are two main areas of investment. Firstly, the Local Area Network (LAN) infrastucture refresh, this is the networking equipment inside each of our buildings comms rooms and comms cabinets. The scale of this expenditure is very much dependant on the scale of the office asset review and estate restructuring in light of changing working practice. Currently we have around 250 network switches across all our buildings with an approximate replacement estimate of £0.002m per unit. The total replacement cost of £0.500m will be reduced significantly with a rationalisation in overall number of council buildings and the refurbishment of Stopford House and the Town hall based on Wi-Fi first and working from home principles. Secondly, the Council's Wi-Fi system requires refreshing. This aligns with the need to update the aging Wi-Fi controllers and Access points currently in place, to support the plans for Stopford House and Town hall refurbishments and a Wi-Fi first principle and also to be compatible with the planned GM One WAN infrastucture. The LAN time scale would be around 12-24 months and the Wi-Fi could be linked to the Office Asset Review timetable.

Office Asset Review related investment and associated new ways of working will need to be facilitated by technology investments, for example, the new Wi-Fi system mentioned above. Other examples include:

- Hybrid Meeting Rooms, which can facilitate staff in the office collaborating seamlessly with remote team members and third parties, an estimate of the cost to place this technology in all 54 meeting rooms currently held across Fred Perry House, Stopford House and the Town Hall is in the region of £0.200m.
- Room and facilities management systems to remotely book rooms and automatically manage availability will be required;
- Headsets for use by hot-desking workers in open plan environments in order to ensure privacy and quality of calls and to keep the noise levels down across the floor. An estimated cost for buying headsets for a number of staff, e.g, 2,000, would be £0.200m and such spend would be phased in line with the office asset review timetable.

IT Security – officers are currently considering Immutable Data back up as defence against Ransomware attacks. This is a very new technology and costs are being investigated but it is thought that any investment would be in the region of tens of thousands per annum. Depending on the outcome of preliminary investigatory work, this may proceed in the next 12 months.

f. Capital Strategy – Development and Regeneration

The regeneration of Stockport Town Centre has been a longstanding priority for the Council with the development programme making up a significant part of the Council's Capital Programme.

Investment decisions are made on a thorough understanding of commercial viability and return-on-investment modelling to ensure the development programme does not put additional pressure on General Fund. The unique role the Council can take as an investor allows it to prioritise interventions that have a catalytic effect on the market as part of a broader strategy for redeveloping the Town Centre.

The Council's investment of its own resources directly in Town Centre redevelopment has been instrumental in attracting significant external grant funding (including allocations from Future High Streets fund, Get Building Fund, Housing Infrastructure Fund, and from the Brownfield Land Fund) as well as private sector investment from Muse Developments to support future regeneration schemes.

The development programme is managed through the I&D Account which provides a mechanism to support a flexible portfolio-based approach to investing in development schemes to maximise the regeneration impact the Council can achieve with its funding.

The programme continues to be funded through a blend of prudential borrowing and external grant funding where possible but as the portfolio matures the Council will have the flexibility to realise the capital value of individual assets to fund further new development.

The Council is in the process of exploring options to create an investment framework with partner organisations to use Council's investment capacity to leverage third party capital resources to support accelerated delivery of major infrastructure in the town centre. This work is at an early stage but will be submitted to Members for consideration in the coming months.

The following table provides an outline of the Council's future regeneration plans and proposals. An indicative estimate of capital investment required for these plans is circa £100m.

Scheme	**Investment Proposition**	**Potential Funding Source**	**Type of Investment**
Merseyway Redevelopment	Property acquisitions within the centre and redevelopment works to improve the centre's viability.	Directly Funded Borrowing (DFB) and External Grant Funding (Future High Streets Fund)	Value Protection / I&D

Scheme	Investment Proposition	Potential Funding Source	Type of Investment
Phase 4 Stockport Exchange	Further commercial development in line with the Masterplan	DFB / Third Party Private Sector Funding	I&D
Mayoral Development Corporation Investment Facility	Strategic site acquisition to accelerate development in Town Centre West	DFB / External Funding (e.g. Homes England)	I&D
Town Centre Living	Intervention to unlock residential development (including site acquisition and gap funding)	DFB / External Funding (e.g. Homes England)	I&D
Market Place & Underbanks	Targeted investment to accelerate the regeneration of the historic quarter of the Town Centre	DFB	I&D
Interchange	Direct investment in an overall multi-party funding package to deliver this scheme	DFB	I&D
Marple Leisure & Community Hub	Direct funding for re-provision of leisure and community facilities in Marple	TBC	TBC

Annex C - Future Developments

1. **Capital Investment Programme Board (CIPB)**

a. Sections 6 and 7 of the Capital Strategy set out the Governance Framework and Roles and Responsibilities in relation to capital investment plans. To facilitate the governance of capital investment plans, it is planned to develop a CIPB, which will be responsible for the Council's Capital Strategy. Due to the Covid-19 pandemic, work on developing the CIPB had to be placed on hold but will start again as soon as it is practical to do so. It is envisaged that the CIPB will be made up of senior officers who will:

- Be responsible for developing and maintaining the Council's Capital Strategy;
- Appraise new capital investment proposals in line with the Capital Strategy and the Council's wider corporate and strategic priorities;
- Be responsible for developing and applying a capital funding allocation policy;
- Provide robust challenge for capital investment proposals;
- Identify synergies between capital investment proposals;
- Reduce bottlenecks when capital investment proposals compete for the same resources;
- Review commercial risks and value for money of new capital investment proposals;
- Consider and recommend for approval new capital investment proposals;
- Consider the level of borrowing for capital investment and impact on subsequent revenue streams that is prudent;
- Be aware of the level of investment risk and the ability to exit these investments to mitigate these risks;
- Undertake an annual review of the Capital Programme;
- Consider and recommend for approval amendments to the Capital Programme; and,
- Monitor performance of capital projects and achievement of outcomes by carrying out Post Implementation Reviews.