

CAPITAL STRATEGY 2023/24

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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 The 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 considered 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 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 potentially place eligibility for this funding stream in future years at risk. Therefore, any change to the policy for allocation of such funding 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 must be 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, Capital Board, 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.

| <u>Priority</u> | <u>Type of Project</u> |
|---|--|
| 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; and,
 - 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. Governance - Roles and Reporting

- 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 Capital Strategy extends 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 the Capital Board includes the following:-

- Develop the overall Capital Strategy and Capital Programme alongside the Growth and Infrastructure Board in accordance with the priorities set out by the Council's strategic organisation and partnership priorities;
- Review new capital investment proposals and use of capital resources, providing robust challenge, via the Gateway Process (currently being developed) before they go through the Council's formal governance and approval process;
- Review and understand the implications of external funding bids to ensure the costs and risks attached to any such bids are commensurate to receiving the additional funding;
- Identify synergies between capital investment proposals in order to promote better use of capital resources;
- Receive reports from other strategic groups on their capital requirements and strategies to improve and optimise asset deployment;
- Advise Corporate Leadership Team and Cabinet on the strategic allocation of capital funding available against priorities across the whole Council;
- Recommend the approval of new capital investments projects as part of the Council's formal governance and approval process;
- Monitor the three-year Capital Programme at a strategic level and pass comments to Corporate Leadership Team;

- 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;
- Review the effectiveness of project management on projects with significant variations;
- Recommend the overall Capital Strategy and Capital Programme to Corporate Leadership Team, Cabinet and Council; and,
- Set sustainable financial parameters for the Capital Programme aligned to the requirement of the CIPFA Prudential Code.

7.3 The role of the Growth and Infrastructure Board

- Articulate clear and co-ordinated strategic priorities to guide the Council's Capital Strategy;
- Identify areas of strategic connections as well as clashes or inconsistencies at the early stages of strategy/plan development, avoiding the need for duplication or abortive work;
- Align placemaking strategy development with wider strategy work;
- Assist in the articulation of wider strategic fit in strategies/plans/investment propositions so that resulting outputs are more holistic and better fit the Council's Local Investment Framework approach;
- Assist in identifying opportunities for investment and maximising the benefits of investments by others; and,
- Work closely with the Capital Board, by providing input on an annual basis to the strategic priorities that will be used to inform the Council's Capital Strategy.

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

- Formulate capital investment proposals, ensuring corporate priority fit for submission to Capital Board;
- Monitor and report on Capital Programme schemes on a quarterly basis;
- Review the outcomes and outputs achieved through the Capital Programme schemes; and,
- Review the effectiveness of project management on projects with significant variations.

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, Capital Board, CLT and Portfolio holders when required;
- Monitor the risks 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 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 Capital Board, CLT and Cabinet;
- Support SMTs, Capital Board 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.

7.7 The role of Corporate Leadership Team (CLT) includes the following:-

- Receive recommendations from Capital Board on new proposals for capital investment projects;
- Receive recommendations from Capital Board on strategic allocation of capital funding available against priorities across the whole Council, ensuring priority fit and pass comments to Cabinet Members;
- Monitor the three-year Capital Programme at a strategic level and pass comments to the Cabinet;
- Review the outcomes and outputs achieved through the Capital Programme; and,
- Review proposed updates to the Capital Strategy being reported to Cabinet and Council.

7.8 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.

7.9 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;
- Capital Board – 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;
- CLT - 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 Members;
- 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
- Net income from commercial and service investments to net revenue stream (not required where there are no commercial investments are held)

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, Capital Board, CLT, Portfolio Member and/or Cabinet as appropriate.

9. Third Party Loans

9.1 Department for Levelling-Up, Housing and Communities (DLUHC) 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);

- Stockport Exchange Phase 3 Ltd;’ and,
- Stockport Active CIC.

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. Statutory guidance issued by DLUHC 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 DLUHC 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 To support DLUHC’s statutory requirement on non-financial capital investments CIPFA has produced Prudential Property Investment Guidance 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 such acquisitions. CIPFA reiterate the provision in the DLUHC 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 CIPFA’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 Public Works Loan Board lending terms further help ensure that new loans are not provided to local authorities for purely commercial investments. For any new loan 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 DLUHC 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 on its Balance Sheet under the Investment Asset classification, 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.

10.8 In addition, CIPFA published revised Codes in 2021. The requirements of the revised Prudential Code again reflect CIPFA's intention to move authorities to a more risk-averse outlook in respect of commercial investment matters by including the following:-

- Quarterly reporting of Prudential Indicators;
- Additional reporting requirement where authorities that have an expected need to borrow should review options for exiting their financial investments for commercial purposes in their annual Treasury Management/Investment strategies; and,
- Separate commercial and service investment strategies should be reported where appropriate, and these should define an authority's objectives, risk appetite and risk management processes, as well as assessing the affordability/prudence and proportionality of such investments with limits stated for each category of investment type.

10.9 The core tenets of the revised Codes came into immediate effect and full compliance with the reporting requirements applies from 2023/24 and are now being formally adopted within the 2023/24 Capital and Treasury Management Strategies, including the following:-

- The Treasury Code 2021 requirement for skills/training strengthening, particularly with regard to the expanded emphasis on non-treasury management investments. In addition, CIPFA has stated that all investments require an appropriate investment/risk management framework;
- Treasury Management Practices TMP1 'Risk Management' has an additional requirement for Environmental, Social and Governance (ESG) policies and practices to be included.
- Investment Management Practices includes a requirement for non-Treasury Management investments (service and commercial capital investments) to define the purposes, objectives, management arrangements for the holding of these investments, and they will need to be included within the Treasury Management policy, Treasury Management and Investment strategies, and addressed in the mid-year and annual reports.

- 10.10 The Council is required to settle an element of its accumulated General Fund Capital Financing Requirement (CFR) each year by way of a revenue charge (the Minimum Revenue Provision, 'MRP'). Each year the Council reviews its MRP Policy and it is reported in the Treasury Management Strategy Report.
- 10.11 In November 2021, DLUHC proposed changes to its MRP Regulations to make sure local authority practices are consistent and fully compliant with the intent of the capital framework, in particular to address the concern that some authorities are not fully compliant with the duty to make a prudent revenue provision resulting in underpayment of MRP. Serious concerns were raised in response to the consultation, in particular that the proposal to not use capital receipts in place of the revenue charge would have unintended consequences, for example, affecting local authorities' ability to invest in housing via wholly owned companies. A subsequent consultation to address these issues was issued in June 2022 allowing capital loans to be exempt from the need to charge MRP with the proviso that authorities should make MRP equal to any loss recognised with respect to a capital loan.
- 10.12 It is likely that these changes will come into effect from April 2024 as the Government is yet to issue a full response to the consultation. Members will be informed if there are any relevant changes to the Council's MRP Policy 2023/24 as a result of the response in the mid-year Treasury Management Review Report.
- 10.13 These changes are not intended to have any impact on the Housing Revenue Account and the aim is still for local authorities to be able to exercise judgement in determining a prudent amount of MRP; there is no drive to revert back to a prescriptive method.

Annex A

1. Capital Programme 2023/24

- 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 2023/24 Capital Programme, it also includes information about approved schemes that span beyond 2025/26.

| | 2023/24 | 2024/25 | 2025/26 | 2026/27 Onwards |
|----------------------------------|----------------|---------------|---------------|--------------------|
| Portfolio | £000 | £000 | £000 | £000 |
| Communities and Housing | 40,609 | 35,168 | 31,403 | 63,678 |
| Economy and Regeneration | 106,352 | 41,398 | 13,717 | |
| Education, Children and Families | | | | 24 |
| Finance and Resources | 41,411 | 9,758 | 1,805 | 28,841 |
| Health and Adult Social Care | 67 | | | |
| Highways, Parks and Leisure | 40 | 40 | 40 | 80 |
| TOTAL | 188,479 | 86,364 | 46,965 | 92,623 |

- b. The resources available to fund the 2023/24 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.

| | 2023/24 | 2024/25 | 2025/26 | 2026/27 Onwards |
|------------------------------|----------------|---------------|---------------|--------------------|
| Resources | £000 | £000 | £000 | £000 |
| Capital Grants | 73,791 | 17,469 | 17,995 | 8,580 |
| Directly Funded Borrowing | 73,002 | 43,527 | 11,201 | 37,107 |
| Unsupported Borrowing | 23,775 | 1,845 | 1,845 | 1,674 |
| Capital Receipts | 2,550 | 7,618 | 1,066 | 12,075 |
| External Contributions | 299 | 0 | 0 | 0 |
| Commutated Sums | 893 | 0 | 0 | 0 |
| Revenue Contributions (RCCO) | 1,229 | 1,675 | 344 | 3,272 |
| HRA funding from MRR | 12,940 | 14,230 | 14,514 | 29,915 |
| TOTAL | 188,479 | 86,364 | 46,965 | 92,623 |

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 2023/24 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 | 2023/24 £000 | 2024/25 £000 | 2025/26 £000 | 2026/27 Onwards £000 |
|----------------------------|-------------------------|-------------------------|-------------------------|-------------------------------------|
| General Fund (non HRA) | 152,214 | 51,346 | 15,562 | 28,945 |
| HRA | 36,265 | 35,018 | 31,403 | 63,678 |
| Total | 188,479 | 86,364 | 46,965 | 92,623 |

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 | 2023/24 £000 | 2024/25 £000 | 2025/26 £000 | 2026/27 Onwards £000 |
|-----------------------------------|-------------------------|-------------------------|-------------------------|-------------------------------------|
| Capital Expenditure | 152,214 | 51,346 | 15,562 | 28,945 |
| Financed By: | | | | |
| Capital Grants | 63,807 | 12,868 | 13,717 | 24 |
| Capital Receipts | 1,208 | 3,003 | | 893 |
| Capital Contributions | 1,192 | | | |
| Revenue Contribution | 1,229 | | | |
| Prudential Borrowing | 84,778 | 35,475 | 1,845 | 28,028 |

| Financing HRA | 2023/24 £000 | 2024/25 £000 | 2025/26 £000 | 2026/27 Onwards £000 |
|-----------------------------|-------------------------|-------------------------|-------------------------|-------------------------------------|
| Capital Expenditure | 36,265 | 35,018 | 31,403 | 63,678 |
| Financed By: | | | | |
| Capital Grants | 9,984 | 4,601 | 4,278 | 8,556 |
| Capital Receipts | 1,342 | 4,615 | 1,066 | 11,182 |
| Capital Contributions | | | | |
| Revenue Contribution | 12,940 | 15,905 | 14,858 | 33,187 |
| Prudential Borrowing | 11,999 | 9,897 | 11,201 | 10,753 |

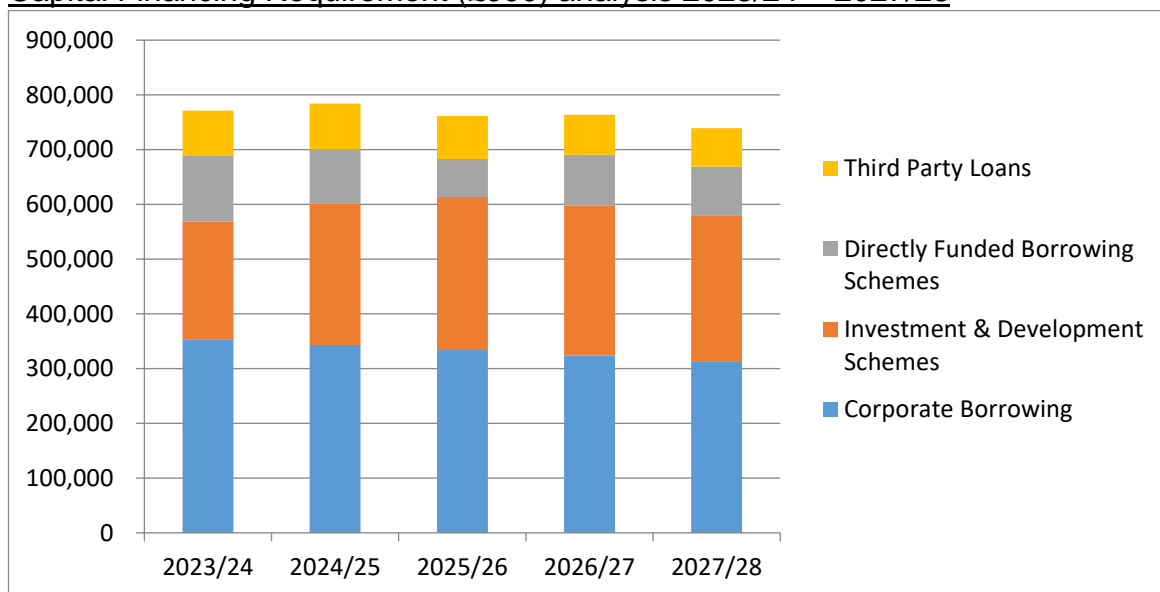
- Capital Financing Requirement (CFR)

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 2023/24 Capital Programme.

| Capital Financing Requirement | 2023/24 £000 | 2024/25 £000 | 2025/26 £000 | 2026/27 £000 | 2027/28 £000 |
|-------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| General Fund (non HRA) | 771,456 | 783,970 | 761,684 | 764,034 | 739,468 |
| HRA | 167,942 | 175,798 | 186,999 | 192,604 | 197,752 |
| Total | 939,398 | 959,768 | 948,683 | 956,638 | 937,220 |

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 prudential borrowing type, e.g. 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.

Capital Financing Requirement (£000) analysis 2023/24 – 2027/28



Debt that is intended to be self-financing is categorised as follows:

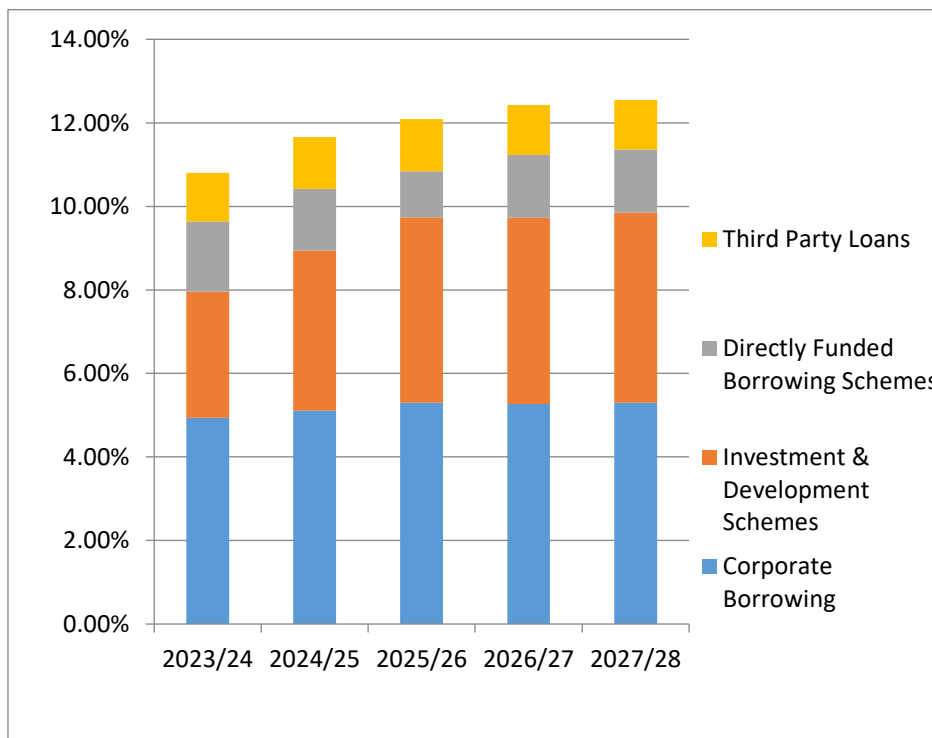
- Investment and Development (I&D) Schemes – major regeneration schemes, which also have a revenue/rental income stream to cover the associated capital financing costs, for example, Stockport Exchange;
- Directly Funded Borrowing – schemes where the costs are borne by cash limits or recharges to schools; 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.

- Ratio of financing costs to net revenue stream

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 | 2023/24 £000 | 2024/25 £000 | 2025/26 £000 | 2026/27 £000 | 2027/28 £000 |
|------------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Financing Costs: | | | | | |
| Corporate Borrowing | 13,634 | 14,335 | 14,395 | 14,385 | 14,460 |
| Investment & Development | 8,337 | 10,751 | 12,054 | 12,180 | 12,405 |
| Directly Funded Borrowing | 4,631 | 4,151 | 2,994 | 4,089 | 4,123 |
| Third Party Loans | 3,200 | 3,486 | 3,384 | 3,264 | 3,250 |
| Total Financing Costs | 29,802 | 32,723 | 32,827 | 33,918 | 34,238 |
| Ratio to Net Revenue Stream | 9.60% | 10.39% | 10.50% | 10.76% | 10.78% |

The graph below illustrates the proportion of the General Fund ratio of financing costs to net revenue stream over the next five years. The graph shows the total financing costs ratio, broken down into 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 | 2023/24 £000 | 2024/25 £000 | 2025/26 £000 | 2026/27 £000 | 2027/28 £000 |
|------------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Total Financing Costs | 6,096 | 6,493 | 6,991 | 7,235 | 7,465 |
| Ratio to Net Revenue Stream | 10.76% | 11.46% | 12.34% | 12.77% | 13.17% |

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 | 2023/24 £000 | 2024/25 £000 | 2025/26 £000 | 2026/27 £000 | 2027/28 £000 |
|---|-----------------|-----------------|-----------------|-----------------|-----------------|
| Total Financing Costs | 29,802 | 32,723 | 32,827 | 33,918 | 34,238 |
| Interest rate increase +1% | 1,646 | 1,671 | 1,621 | 1,617 | 1,572 |
| Income stream reduction -10% | 2,493 | 2,478 | 2,629 | 2,896 | 2,852 |
| Reduction in funds to support internal borrowing -25% | 2,235 | 1,524 | 992 | 722 | 541 |
| Total impact on financing costs | 36,176 | 38,396 | 38,069 | 39,153 | 39,203 |

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 where the borrowing is on an annuity basis per the Council's MRP policy.

| General Fund | PWLB Maturity | Revenue cost per year to borrow £10m £000 |
|---|--------------------|---|
| Term (years) | Rates as at Jan 23 | |
| <u>Annuity (interest and principal)</u> | | |
| 5 | 4.27% | 2,263 |
| 10 | 4.18% | 1,244 |
| 25 | 4.52% | 676 |
| 40 | 4.63% | 554 |
| <u>Maturity (interest only)</u> | | |
| 5 | 4.19% | 419 |
| 10 | 4.30% | 430 |
| 25 | 4.63% | 463 |
| 40 | 4.39% | 439 |

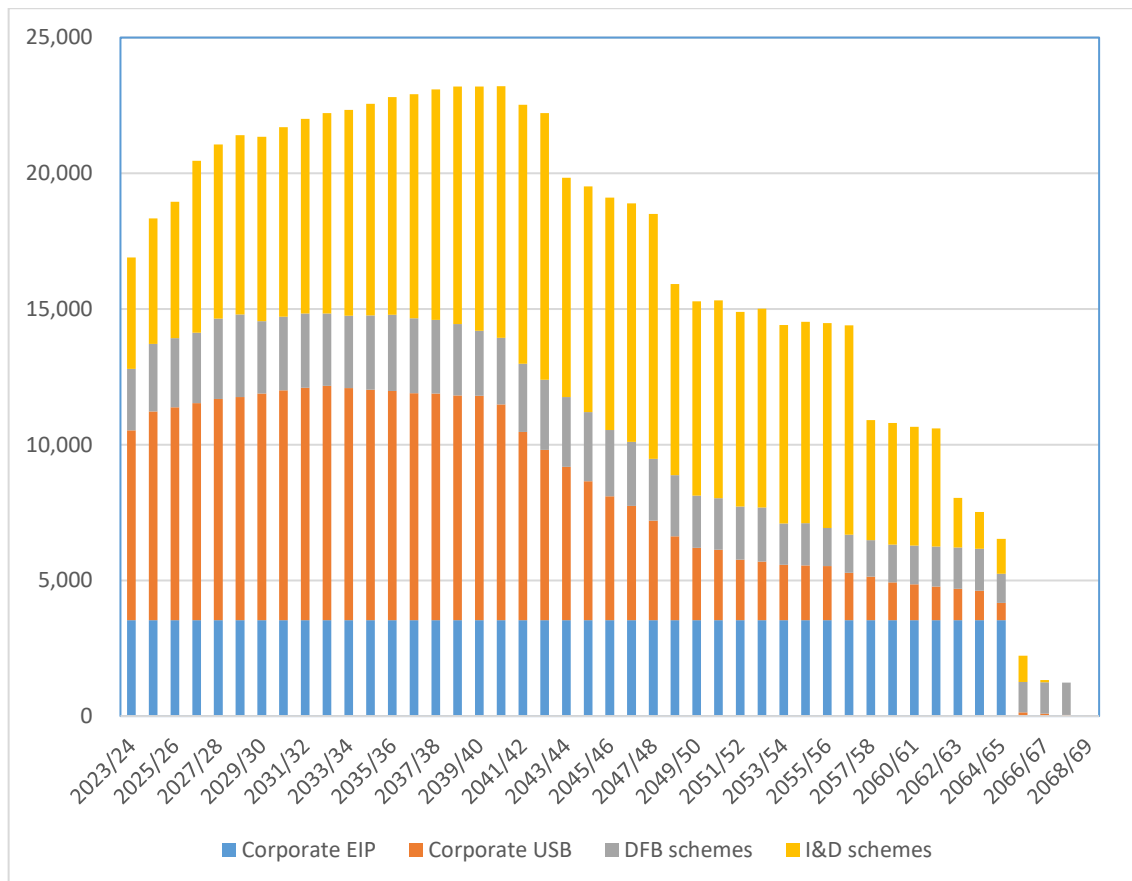
3. Minimum Revenue Provision (MRP)

- 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.

Annual MRP Commitments for General Fund Prudential Borrowing



Annex B

1. Capital Investment Plans and links to the Council's Key Priorities

Stockport's strategic objectives are outlined within the One Stockport Borough Plan. The Borough Plan outlines the Council's key priorities and ambitions for the next ten years. The Borough Plan is structured around three essential tenets, One Heart, One Home, and One Future.

These three tenets will help focus the vision that helps build a One Stockport for all. To further ensure we achieve a One Stockport for all, the three tenets are supported by nine shared priorities:

| ONE HEART | ONE HOME | ONE FUTURE |
|--|--|---|
| At the heart of Stockport are its people and the communities in which they live. | Stockport is a great place to live, where no one is left behind. | Growing, creating and delivering a thriving future for Stockport. |
| <ol style="list-style-type: none">1 A caring and growing Stockport Stockport is a great place to grow where children have the best start in life2 A healthy and happy Stockport People live the best lives they can - happy, healthy and independently3 A strong and supportive Stockport Confident and empowered communities working together to make a difference | <ol style="list-style-type: none">1 A fair and inclusive Stockport A borough for everyone - diversity and inclusion is celebrated and everyone has equity of opportunity2 A flourishing and creative Stockport Stockport is an exciting place to live, where people are active and celebrate the culture3 A climate friendly Stockport Stockport is a responsible and sustainable borough | <ol style="list-style-type: none">1 An enterprising and thriving Stockport A thriving economy which works for everyone2 A skilled and confident Stockport Everyone has the opportunities and skills to successfully achieve their ambitions3 A radically digital Stockport A digitally inclusive and dynamic borough |

Furthermore, several partnership delivery plans underpin the One Stockport Borough Plan. These delivery plans relate to specific subject areas, which include the Stockport Housing Plan, the Economic Plan, the Transport Plan, the One Health and Care Plan, Our Digital Strategy, the Safer Stockport Plan, and the Volunteering plan. Additionally, both the Climate Action Now Strategy and our Fair and Inclusive framework run throughout each one of these strategies. The cross-cutting nature of the issues covered within these strategy documents serve as an indication that there is a convergence of aims of all the strategies and what they are trying to accomplish. Consequently, these strategies support and align with the vision and the priorities identified in the aforementioned One Stockport Borough Plan.

Alongside the identification of Council priorities and the development of strategic delivery plans, Stockport Council has also developed an investment proposition to help inform and guide the Capital Strategy. The Investment Proposition is a document which summarises the existing infrastructural context within an area accompanied by supporting statements

and evidence. This can be utilised by the Council as proof of capability, and to illustrate a strong track-record of performance, with the aim of increasing trust and consequently further investment within the Borough.

Key characteristics of Stockport Council's Investment Proposition include:

- The funding environment for capital investments in the Borough is fragmented, with a number of investors and funds working toward a range of goals and demands. The Council is a significant investor in our Borough, alongside partners from the governmental, corporate and non-profit sectors.
- Therefore, when it comes to infrastructural investment and growth in our Borough, Stockport Council is pursuing a pro-active, integrated strategy. This is founded on the theory and experience that co-ordinated local and national investments may leverage private money to produce faster growth, better placemaking, and higher quality public services. All for the betterment of our residents.
- Stockport's Investment Proposition explains how the Council is negotiating a complicated investment landscape with revolutionary ambitions for public sector change.
- Our Investment Proposition concludes with a concise explanation of what success would look like: accelerated delivery, leveraged partner investment, improved value for money, and fully involved residents and enterprises in investment and delivery.

The Investment Proposition is grounded in Stockport's dedicated place-based approach. Stockport's place-based investment approach is best understood as a strategic framework that views Stockport as a whole as opposed to Stockport being understood as separate areas and services. To effectively implement Stockport's place-based approach, it is essential to take into account the distinctive qualities and requirements of the many locations and communities that make up our Borough. By tying infrastructure and economic development investments to public service reform, we can maximise benefits for local citizens and communities. Our place-based approach is holistic, and has been adopted based on the theory that, joined up Local and Central Government investment leverages private funding to deliver growth, place-shaping, and improved public service outcomes. Therefore, adopting a place-based approach maximises the results that can be produced as it considers the various dimensions of investment impact.

Our Investment Proposition is explicit in its ambition to join up investment streams from both the public and private sector in order to swiftly and successfully accomplish the goals set out in the Borough Plan and other supporting strategies.

The Council's Capital Strategy then further builds on this co-ordinated investment, to ensure that direct Council investment complements and enhances investments made by others. This Capital Strategy fully supports this place-based approach.

Therefore, the overall purpose of the Investment Proposition document is to specify how the Council will deliver the objectives outlined in the Borough Plan and supporting strategies.

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, must be managed and used effectively to ensure that it derives maximum benefit from its assets in support of its priorities, in particular supporting the cross-cutting theme of making sure we have the right property in the right place to support Council Services and support our partner agencies.

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 Council's portfolio where:-

- The asset contributes to direct or indirect service delivery;
- The asset supports economic or physical regeneration;
- The asset 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 expected to be in circa £5.069m in 2023/24, which excludes amounts to be potentially brought forward from 2022/23, and is being invested to achieve the savings identified in the Medium-Term Financial Plan.

However, the Programme may be impacted by the continuing effect of the EU-exit, supply chain disruption and ongoing construction price inflation in addition to general inflationary pressures.

A programme of condition surveys continues and will 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 2022/23 and earlier are informing interventions ensuring these are targeted where most needed and being prioritised using the same criteria as the Schools estate around four priorities:-

- Priority 1: Immediate need, pressing works, often health and safety concerns;
- Priority 2: Works required within three years;
- Priority 3: Works that should be commissioned within five years; and,
- Priority 4: Issues that must 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, this requires investment in the estate to contribute towards current and emerging targets. Surveys have been obtained for the buildings responsible for the largest proportions of energy use and therefore emissions.

During 2021/22 surveys were funded by a grant obtained from the Low Carbon Skills Fund, which facilitated the award of a £5m grant from the Public Sector Decarbonisation Fund. The grant has seen air source heat pumps installed at the Town Hall and Stopford House during 2022/23. The grant has also funded a range of other interventions across the operational and school estate. This intervention together with the other measures will contribute to the Council's target to reduce its carbon emissions to be net zero by 2038 and contribute toward the Council's ambition to build a climate friendly Stockport.

Further grant applications have been submitted which if successful will deliver Heat Decarbonisation Plans for a number of Leisure Centres during 2023/24, which are responsible for the highest proportion of Carbon Emissions. These Heat Decarbonisation Plans will inform future investment decisions and form the basis of further grant applications.

2022/23 has seen the Refurbishment of Stopford House complete, an investment that cemented the Hybrid Working practices at the heart of our radically digital ambition and enabled the first of a series of income producing new lettings. Pennine Care NHS trust have taken occupation of part of Stopford House, generating revenue income to support the Medium-Term Financial Plan, as well as collaboratively supporting our NHS partners to deliver a healthy and happy Stockport.

The next delivery phase of the Town Centre Asset Review is underway, with remaining Council services exiting Fred Perry House by the end of quarter one 2023/24. Refurbishment work has commenced on the Ground Floor of Fred Perry House to enable occupation by the Ministry of Justice from early 2023/24, again delivering revenue savings from the Single Property Budget, revenue income to the Council and strengthening our Partnership and Collaborative working relationships with partner agencies and jointly deliver a strong and supportive Stockport.

More asset challenge and reviews will be progressed during 2023/24 to identify opportunities to drive improved performance of the portfolio, further roll out of Hybrid working to borough-wide office buildings and provide opportunities for additional income producing co-location of partner agencies.

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 and is reviewed by the School Place Planning Board that ensures the investment plans are in line with School Sufficiency Investment Plan priorities (as will be presented to Cabinet in January 2023).

School capital projects are funded from different streams:

- Basic Need (BN) funding from central government for school places in the Local Authority;
- Schools Capital Allocation (SCA) from central government for maintaining the estate (Condition Need);

- High Needs Capital Grant allocation is periodically made from central government for Special Education Needs & Disabilities (SEND) investment;
- School Rebuilding Programme. Periodically allocated funding for specific schools;
- Other one-off grants, such as the Public Sector Decarbonisation Scheme (PSDS);
- School Contributions for maintenance projects; and,
- Local Borrowing for centrally funded schemes as required and approved by Cabinet.

The School Sufficiency Investment Plan (SSIP) describes the objective of investment in schools. The SSIP aims to secure an education estate that provides a safe, accessible, secure, and stimulating learning environment, which is sustainable and provides value for money, is fit for current and future needs and reduces environmental impact.

The Capital Programme is structured according to the three pillars of the SSIP: School Place Planning, Capital investment in Condition, Education improvement and Inclusion. Where possible, 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. This will deliver economies of scale and the potential for improved value for money.

The School Place Planning team identifies long term capacity needs from pupil data and Stockport planning and development policy and forecasts. The current situation is that there is pressure forecast in both Primary and Secondary sectors over the next five years. Recent expansion projects include a completed project at Ludworth Primary school and the construction of a new primary school at Woodford (developer funded).

There is currently £4.4m allocated in the Capital Programme to address further capacity issues, some of which includes carrying out RIBA phase 1 studies for expansion of selected schools. This work will feed into the future pipeline of basic need projects.

Capital investment in condition is driven by data condition surveys. These will continue on a five-year rolling programme, outcomes are 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; and,
- Priority 4: Issues that will need to be addressed between five and ten years.

The School Estate has a backlog of around £105m condition capital need identified from the condition surveys. This could be as high as £200m if the replacement or repaired estate is to provide a modern learning environment and meet new building regulations and rising building indices since the assessments were made.

Due to budget constraints, condition projects are prioritised according to need and limited to those works that will prevent school closures, such as roofs, structural work, heating and electrical systems. The capital plan for 2023/24 is for £1.5m investment in condition across six schools.

The principal impact of the Education Improvement and Inclusion strategy on capital investment is through the implementation of the SEND strategy. Growth in demand for Special school places is forecast over the next five years in both the primary and secondary sector. Delivery of the new and expanded Lisburne Special School and Pear Tree Special School will pick up a proportion of the demand.

In order to address more of the demand, the development of the SEND support offer in Stockport includes a need to provide specialist places within the school estate locally thus protecting the use of special school places for the most complex pupils. The provision of local specialist places within the existing school estate will need additional resource bases in the Primary and Secondary Phase. Marple and Priestnall Schools successfully opened a resource class in September 2022 and further works will be completed to expand this provision at these sites. In addition, a number of RIBA stage 1 studies will be commissioned on other schools and these studies will then be considered in the development of projects for future years' programmes. The current capital programme has £3.5m allocated to start to address the current situation.

The Government announced the School Rebuilding Programme (SRP) in June 2020, it follows on from phase one and two of the Priority School Building Programme (PSBP) which has benefitted schools in Stockport. The SRP will carry out major rebuilding and refurbishment projects at 500 schools and sixth form colleges in England over the next decade. Stockport submitted two schools within the latest bidding round and both have been successful. Department for Education (DfE) engagement has commenced regarding Thorn Grove Primary School and it is anticipated that construction work will begin in 2024. The Authority was notified of Moorfield Primary School's success in December 2022 and we await further correspondence from the DfE.

The requirements of Stockport Climate Action Now (CAN) strategy will add pressure to the school capital demand and as such is being included at early stages of design and planning to enable well-informed decisions to be made. Advantage will be taken for grant supported capital investment in decarbonisation as they become available.

Over the last 12 months the PSDS has funded projects at six primary schools that include heat pumps, replacement windows, LED lighting and heating controls and pipework insulation. The total value of this work was £0.9m. A further application has been made for PSDS grant support on a project to fully decarbonise Dial Park Primary school as part of an approved heating replacement project.

Solar thermal installations are included where other heating systems are being upgraded. The opportunity for a grant to part fund solar photovoltaic panels on five school roofs is being explored.

As part of taking a long-term view of the decarbonisation requirement of the school estate a set of building heat decarbonisation feasibility studies have been commissioned through Greater Manchester Combined Authority (GMCA) that will look at four schools and provide good information to inform the schools investment need. From an implementation viewpoint there are two key factors, Deliverability and Value-For-Money. 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 SSIP. 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.

c. Transportation Capital Strategy

The One Stockport Transportation Capital Strategy is designed to ensure that Stockport's ambitious plans under the One Stockport Borough Plan are supported by a modern transport infrastructure system that delivers modern active, public, and regular travel for all residents.

The capital strategy is informed by the One Stockport Borough Plan, Greater Manchester 2040 Transport Strategy, the Greater Manchester Delivery plan, the Stockport Local Implementation Plan and the South- East Manchester Multi Modal Strategy (SEMMMS), Stockport's Transport Plan and Stockport's Climate Action Now strategy, providing a strategic background for transport priorities until 2040.

In 2023 Stockport Council is intending to develop the detailed action plan for its own Stockport Local Transport Strategy, update the Stockport Local Implementation Plan and develop neighbourhood transport plans.

The strategies identify an overall strategic approach for the development of a modern transport system and the maintenance of the existing network for all modes of transport. The strategies identify that a multi-modal approach is required to deal with transport issues in the area but that a shift to public and active travel is required to meet our climate aims. It 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 is more localised, focussing on the South-East part of Greater Manchester and it has been developed in association with adjacent authorities both in Greater Manchester and also Cheshire East, High Peak and Derbyshire Councils. These documents will also support the development of the new Stockport Local Plan.

The new Stockport Local Transport Plan incorporates key Council priorities including One Stockport, Stockport CAN, Active Communities Strategy, Economic Plan, Housing Plan and the emerging Local Plan requirements and is in accordance with wider regional strategies.

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 2023. 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. A similar approach is being followed for reservoirs with the first step being the production of emergency plans.

Car park maintenance is also managed by the same team and asset management plans and programmes are being developed for Merseyway and Heaton Lane car parks 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. The final elements of this plan will be delivered in 2023/24 as there was a delay to some schemes during the Covid period. This programme has undergone a mid-term review and the report supported its retention and completion. A future strategic approach and business case for maintaining the network after this programme has been developed and potential funding mechanisms are being investigated.

The Council has funded a Street Lighting and Illuminated Infrastructure Improvement programme to convert existing streetlights to LED which is close to completion. This is an invest to save programme, financed using directly funded borrowing, and is delivering significant reductions in energy costs plus a reduced maintenance burden. 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 pothole 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. The capital grant and pothole funding allocation has now been included in the City Region Sustainable Transport Settlement (CRSTS) which has been allocated to Greater Manchester Combined Authority for the next five years.

In addition, the Council has bid for specific funding for more major maintenance schemes including the Greek Street bridge, and work on the Merseyway structure is ongoing.

Detailed design work is currently taking place with Network Rail regarding the replacement of Greek Street Bridge, and discussions ongoing for 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. A flood mitigation programme for greenspace has received some funding to spend in 2022/23 and 2023/24, which is intended to remediate damage caused by previous flooding episodes and support schemes where greenspace flooding impacts on adjacent properties and areas.

Transport for Greater Manchester (TfGM) 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. The Council is working in partnership with TfGM 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 and a cycle / pedestrian ramp down to the riverside from the park. The temporary bus station in Heaton Lane carpark is now in operation and work on the new interchange started early in 2022 with an expected completion in early 2024.

Network Rail and various rail providers manage rail stations and some of the bridges over railways within the area. The Council is working with TfGM, Network Rail and Avanti, the rail company managing Stockport rail station, to bring forward a major regeneration scheme at Stockport rail station as part of the rail station masterplan. Council officers are working closely with The Mayoral Development Corporation -Town Centre West who are supportive of both the rail station vision and the new Transport Interchange.

Stockport Council is also working with TfGM to look at funding accessible improvements to stations. This is a long-term programme but improvements at both Reddish North and Rose Hill stations have been identified for early delivery.

A proposed rail station at Cheadle and a package of pedestrian and cycle improvements has been included within the Cheadle Towns Fund bid which was approved in 2022. Work has commenced on the pedestrian and cycle package and a planning application was submitted for the station.

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, cars, vans, and HGVs all competing for space on the network. The use and look of the public realm are also a priority supporting the regeneration of town, district, and local centres. Strategically proposed key major transport improvements have been identified in the Greater Manchester Delivery Plan and the Stockport Local Transport Plan with the Stockport Local Investment Plan providing more detail on smaller interventions to identify and

prioritise more minor local improvements. These priorities will be reviewed and developed through the work in 2023 on a Stockport Local Transport detailed action plan and the proposed neighbourhood transport plans.

Several 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, Adswold, Stanley Green and High Lane with an improved service to Reddish South.

Recent major improvement schemes within Stockport include: A555, 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 is expected to be completed in 2023; and the Town Centre Access Plan which was completed in 2021.

Stockport is in discussions with 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. This funding has also now been included in the CRSTS and it is anticipated some funding may be allocated to local authorities annually for the next few years.

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 be promoted as a scheme meaning that investment will not always be sequenced how the council would choose if it had full control of the finances. 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 has also received funding under the Active Travel Fund joint Greater Manchester bids.

Stockport Council has 14 schemes that have been accepted into the Mayoral Walking and Cycling Challenge fund programme and the majority of these have been developed or delivered with just some monitoring and activation activities to complete.

Further funding for active travel schemes is included within the CRSTS bid and Greater Manchester has submitted a bid for Active Travel funding tranche 3 which includes schemes in Stockport including around the town centre and in the Heatons and will be bidding into a round 4 in 2023.

In 2021 the Government announced a new transportation capital fund the City Region Sustainable Transport Settlement (CRSTS) which has been allocated to Greater Manchester Combined Authority for the next five years. This fund includes capital funding for maintenance, and minor and major improvement schemes for the next five years. The bid document was submitted in autumn 2021 with Greater Manchester receiving a £1.07-billion allocation, discussions are ongoing regarding the final allocation of that funding, but it is expected to include development funding for Metrolink schemes and bus priority

schemes. Stockport's priorities for funding included within the bid were development of Metrolink to Stockport, tram train to the airport including the replacement of Greek Street bridge, regeneration of Stockport Station, a pedestrian/ cycle ramp for the new interchange to link the park to the riverside, and Streets for All schemes including Hempshaw Lane final phase, A6/ School Lane/ Manchester Road Improvement scheme, Town Centre West Access and Improvement Package and BECI- Bredbury Economic Corridor Improvement package. These schemes are being progressed through SOBC towards delivery.

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 was submitted to Government in summer 2021 for approximately £40m. The A34 MRN scheme received Outline Business Case approval in summer 2022 and the final business case is scheduled to be submitted in spring 2023. The package of works includes improvements to junctions along the A34, an adjacent pedestrian and cycle route along the corridor, a link to Wilmslow Road and a new underpass.

Stockport Council also works closely with developers on new schemes being delivered which affect the highway and are funded by that development. These can vary from minor changes to major new junctions depending upon the developments anticipated impact on existing transportation networks.

d. HRA and Affordable Housing

HRA Asset Management

Stockport Homes Group (SHG) operate a thirty-year Asset Management Strategy that 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 £59.3m allocated from 2023-2028. Officers are constantly looking for opportunities to enhance the capital investment funds and in 2021 secured £0.100m funding from the Department for Business, Energy and Industry Strategy (BEIS) via GMCA under the Social Housing Decarbonisation Funds (SHDF) which targets homes of EPC level D or below. A further BEIS/GMCA funding bid has been made for wave 2 of SHDF and is expected to be in the region of £0.340m and delivered between 2023 to 2025. 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 a good position for reaction to new and emerging government fire safety policy.

The focus for the Asset Management Strategy is to ensure continued compliance with the Decent Homes Standard as well as associated housing statutory obligations. Capital programmes spanning 2023 to 2028 will commit £27.400m in the following areas: £16.400m for new roofing replacements, £4.500m on fire protection and building safety

and £5.500m on the management of asbestos, legionella, gas and electrical safety. Works to upgrade pipework across a number of heat network sites is also a primary objective over the next five years with £10.500m committed to these works up to 2028. Mitigating the effects of Climate Change and making homes more resilient to flooding is another project which will see homes installed with the latest flood defence systems such as door barriers, smart air bricks and non-return valves on drainage. This will affect around 50 homes over the next five years at an estimated project cost of £0.070m.

Council (HRA) Development

Over the next five years it is projected that there will be an additional 498 new homes built or acquired via the HRA. The total long-term funding required to deliver the additional schemes is forecast at £37m. These developments will also have enabled the HRA to bring into the Borough £25m of capital grant funding from Homes England.

Stockport Homes (SHL) Development

SHL has a rolling loan facility with the Council with a cap of £91.900m for the delivery of new build housing. It is projected that over the next five years there will be an additional 277 new homes built or acquired via SHL. The total forecast long term loan required to deliver the schemes is £17.100m, which is within the £91.900m facility, and there is the capacity to deliver additional properties should opportunities arise. These developments will also have enabled Stockport Homes to bring into the Borough £6.100m of capital grant funding from Homes England.

e. 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 already begun to have a catalytic effect on investment and market sentiment 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 Housing Fund) as well as private sector investment from the likes of Muse Developments, Cityheart, Rise Homes and Capital&Centric 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 working with partner organisations, including Greater Manchester Combined Authority and Homes England, to secure additional funding for Town Centre regeneration in Stockport in line with the Mayoral Development Corporation [MDC] Investment Framework. The framework highlighted the opportunity to leverage the £100m MDC Investment Facility to secure private sector investment that would not have otherwise come forward. Some of this facility has been deployed in the emerging MDC supported schemes.

This approach underpins work currently underway to secure private sector investment partners. In September 2022, Cabinet approved the procurement of a Joint Venture Partner (a private sector development entity) to bring forward development on the eight-acre development site on King Street West that the Council has assembled by using the MDC investment facility. The site, known as Stockport 8, will create a new digitally capable, walkable neighbourhood comprising over 1,000 new homes. The site is adjacent to the town’s historic viaduct, Stockport Interchange and close to Weir Mill and is an important part of the MDC masterplan to see Stockport become the most sustainable, liveable town centre in the Greater Manchester region. The cost of the procurement exercise is estimated to be no more than £0.300m, which is to be funded from the Capital Investment Reserve - Mayoral Development Corporation. The procurement to identify the preferred partner is expected to conclude by the end of March 2023.

The following table provides an outline of the Council’s committed and 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 |
| Phase 4 Stockport Exchange | Further commercial development in line with the Masterplan | DFB / Third Party Private Sector Funding / Get Building Fund | I&D |
| Mayoral Development Corporation Investment Facility | Strategic site acquisition to accelerate development in Town Centre West including: | DFB / External Funding (e.g. Homes England) | I&D |
| | Weir Mill | DFB / External Funding (Homes England grant) | |
| | Stockport 8 | DFB /Third Party Private Sector Funding and | |

| | | | |
|---------------------------|--|---|-----|
| | | External Grant Funding (TBC) | |
| Town Centre Living | Intervention to unlock residential development (including site acquisition and gap funding) | DFB / External Funding (e.g. Homes England) | I&D |
| St Thomas' Gardens | Redevelopment of a Grade II listed Town Centre site to provide affordable housing and intermediate care facilities | DFB | I&D |
| Market Place & Underbanks | Targeted investment to accelerate the regeneration of the historic quarter of the Town Centre | DFB / Townscape Heritage Fund | I&D |
| Interchange | Direct investment in an overall multi-party funding package to deliver this scheme | DFB / External Funding (GMCA and private sector investment) | I&D |

Annex C - Future Developments

1. Capital Board

Sections six and seven 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, the Council has established a Capital Board to be responsible for the Council's Capital Strategy. The role of the Capital Board is set out at paragraph 7.2 of the Strategy. The Capital Board was set up during 2022/23 and, although in its infancy, is already fulfilling many of its objectives. Officers are currently working on a Gateway Process for capital scheme proposals and collating a Capital Scheme Register, which will make the development stages of capital schemes more efficient.