

2024/25 CAPITAL STRATEGY AND CAPITAL PROGRAMME

Report of the Director of Finance (Section 151 Officer)

1. Introduction

- 1.1 The council has long-term, ambitious capital investment plans for the borough helping to regenerate the economy, create jobs and develop strong communities. Future capital investment plans are extensive and varied and the Capital Strategy and three-year capital programme will enable significant improvements to the council's infrastructure, deliver new housing and boost the local economy.
- 1.2 CIPFA's Prudential Code for Capital Finance in Local Authorities provides a framework for ensuring that capital investment is prudent, affordable and sustainable.
- 1.3 The CIPFA Prudential Code requires local authorities to produce a Capital Strategy each year. The purpose of the Capital Strategy is to drive the council's capital investment ambition whilst also ensuring appropriate capital expenditure, capital financing and treasury management within the context of the sustainable, long-term delivery of services.
- 1.4 In addition, the Prudential Code requires local authorities to set a capital programme for the next year and following two years. The 2025/26 Capital Programme therefore includes schemes and resources for financial years 2025/26, 2026/27 and 2027/28.

2. Capital Plans and Council Priorities

- 2.1 The 2025/26 Capital Strategy and Capital Programme has been set to support the delivery of outcomes and outputs associated with the priorities of the council. Stockport Council is a key investor in our borough working alongside partners from the public, private and third sectors in a coordinated investment approach to achieve the ambitions set out in our key council strategies and plans. Our ambitious visions and plans for our borough are set out in our One Stockport Borough Plan, One Stockport One: One Future and the Council Plan.
- 2.2 Our Borough Plan is an ambitious strategy to improve the lives of everyone who lives, or spends time, in Stockport. There are three essential pillars included within the Plan, One Heart, One Home, One Future, which direct investment towards our shared vision to help to build a One Stockport for all.
- 2.3 The council's One Stockport: One Future Plan acknowledges the challenges faced and looks ahead over the next 15 years to ensure that Stockport is a place that is resilient to whatever changes and opportunities are presented in the future. The Plan clearly demonstrates that Stockport is an ambitious place undergoing a spectacular transformation. Five fundamental themes have been identified as being long-term catalysts for change and ultimately reducing inequality in our borough over the next 15 years, and these are, Good Jobs and Homes, The Best Place to Grow Up, Best

Health and Care, Thriving Neighbourhoods, and Clean, Green Transport. Each has a route map setting out how the vision for the next 15 years will be achieved and measures have been identified so that progress and success can be monitored.

- 2.4 The Council Plan 2024/27, Ambitious Stockport: Creating Opportunities for Everyone, has been developed within the context of the two longer term Plans above, and outlines the council's mission, vision, values and ambitions for the coming three years.
- 2.5 When it comes to infrastructure 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.
- 2.6 The Medium-Term Financial Plan is a review of the council's revenue budget position, providing a framework for forecasting future resources based on known factors affecting the council's financial position as well as incorporating local and national trends on budget pressures.
- 2.7 The Treasury Management Strategy includes the Annual Investment Strategy, Minimum Revenue Provision Policy and Prudential Indicators. This is a comprehensive strategy on the council's treasury management activities and clearly demonstrates the interdependent relationship between the council's capital expenditure plans and treasury management activities.

3. 2025/26 Capital Strategy

- 3.1 The Capital Strategy, which can be found at Appendix One, underpins the council's capital investment plans and includes a key objective to deliver an annual capital programme. It outlines the planned programme of expenditure and financing, allowing member engagement, risk management and governance.
- 3.2 The Capital Strategy has regard to the council's wider strategic framework, including alignment with priorities set out in the One Stockport Borough Plan, One Stockport: One Future and Council Plan. It also takes a long-term view of capital investment, including debt, borrowing and Treasury Management linking in with the Treasury Management Strategy. It demonstrates that the council's capital investment plans have due regard to service objectives, stewardship of assets, value for money, prudence, sustainability and affordability.
- 3.3 Effective management of the council's available capital resources is fundamental to achieving its corporate priorities and realising its local and regional ambitions. The Capital Strategy provides a framework for optimising and managing the capital resources available to the council and the implications for future financial sustainability of the council. It sets out the principles, policies and elements underlying the management of capital resources, which are in line with and supplement those within the council's Medium-Term Financial Plan.
- 3.4 The Capital Strategy extends beyond the council's individual activities. Increased powers around commercialism have led to the council becoming increasingly complex, including the creation of subsidiary companies. It is vital that those tasked

with governance fully understand the financial risks that the council is exposed to, including the residual risks and liabilities that it is subject to.

3.5 The Prudential Code sets out the requirements of the Capital Strategy and these are as follows:

- The Capital Strategy must articulate effective planning, option appraisal, risk management and governance processes in relation to capital investment;
- The Capital Strategy needs to include sufficient detail to allow Members to understand how stewardship, value for money, prudence, sustainability and affordability will be secured; and,
- The Capital Strategy should give a high-level overview of how capital expenditure, capital financing, investments and treasury management activity contribute to the delivery of the council's plans and provision of services along with an overview of how associated risk is managed and the implications for future financial sustainability.

3.6 In order to meet these requirements, the Capital Strategy will focus on the following key areas:

- **Capital Expenditure** – Provide an overview of governance processes for approval and monitoring of capital expenditure, provide a long-term view of the council's capital expenditure plans and an overview of its asset management planning, and provide details of any restrictions to borrowing or funding linked to these plans;
- **Debt, Borrowing and Treasury Management** – Provide projections of the capital financing requirement (i.e. unfunded capital expenditure requiring external borrowing) and provide details of the required provision for repayment of debt over the life of the underlying asset (minimum revenue provision - MRP);
- **Commercial Activity** – Provide details of the council's approach to commercial investment activities, including ensuring effective due diligence and risk appetite and the requirements for independent and expert advice;
- **Knowledge and Skills** – Provide details of the knowledge and skills required both internally by Officers and externally by external advisors; and,
- **Affordability and Risk** – ensure that the Section 151 Officer reports explicitly on the deliverability, affordability and risks associated with the Capital Strategy.

3.7 A fundamental principle of the Capital Strategy is accountability. This will need to be promoted and demonstrated by officers and Members throughout the capital investment and planning process and includes the use of effective monitoring and reporting mechanisms.

3.8 The Capital Strategy includes a comprehensive section on governance. This includes the approval process for capital investment decisions, setting out the roles and responsibilities of officers and Members with respect to decision-making and subsequent monitoring of projects to ensure full accountability and stewardship for the capital investment decisions made.

3.9 The Director of Finance (Section 151 Officer) reports that the council has complied with the Prudential Code and that the 2025/26 Capital Strategy demonstrates that the council's capital investment plans have due regard to service objectives, stewardship of assets, value for money, prudence, sustainability and affordability.

4. 2025/26 Capital Programme

4.1 Under CIPFA's Prudential Code, the council is required to set a capital programme for the next three years. Therefore, the 2025/26 Capital Programme includes schemes and resources for financial years 2025/26, 2026/27 and 2027/28. The programme contains schemes where funding is confirmed, including approved prudential borrowing schemes. In addition, information about approved schemes that span beyond the three years is also included.

4.2 The 2024/25 capital programme set out in the Quarter 2+ Budget Monitoring Update forms the basis for the council proposed capital programme for 2025/26. The funding underpinning the capital programme comes from:

- Grant Funding – largely from Central Government and GMCA;
- Capital Receipts – from the sale and disposal of capital assets but also includes the repayments in relation to third party loans;
- External Contributions/Commuted Sums – usually for a specific purpose, e.g. developer agreements;
- Revenue Contributions to Capital Outlay (RCCO) – resources from revenue budgets to fund specific capital expenditure; and.
- Prudential Borrowing – this enables the council to support capital investment by borrowing where there are no other sources of funding. Prudential Borrowing must be prudent, affordable and sustainable and there are two types:
 - Directly Funded Borrowing (DFB), which is financed from service cash limit budgets, e.g. invest to save capital expenditure; and,
 - Corporate Unsupported Borrowing (USB), which is funded from corporate resources and is usually related to essential capital expenditure where there are no other funding alternatives.

4.3 The 2025/26 three-year capital programme is £223.171m in total. The following table sets out the proposed 2025/26 – 2027/28 capital programme by portfolio and includes schemes that span 2028/29 and beyond.

	2025/26	2026/27	2027/28	2028/29 Onwards
Portfolio	£000	£000	£000	£000
Communities, Culture & Sport	14,488	306		
Economy, Regeneration & Housing	82,410	34,146		
Finance and Resources	32,775	3,659	2,418	3,366
Health & Adult Social Care	58			
Parks, Highways & Transport Services	33,569	18,057	1,285	946
TOTAL	163,300	56,168	3,703	4,312

4.4 As part of the 2024/25 budget setting process, the capital programme for 2025/26 was set at £70.108m. Since then, the programme has increased through the addition of new schemes together with the re-phasing of schemes from 2024/25,

and it now stands at £163.300m. Further details of these changes by portfolio are set out in the table below.

Portfolio	Approved Programme Feb-24 £000	New and amended Schemes £000	Re- phasing and Virements £000	Proposed 2025/26 Programme £000
Communities, Culture & Sport	12,539	750	1,199	14,488
Economy, Regeneration & Housing	36,406	21,629	24,375	82,410
Finance and Resources	1,850	7,954	22,971	32,775
Health & Adult Social Care	0		58	58
Parks, Highways & Transport Services	19,313	16,655	(2,399)	33,569
TOTAL	70,108	46,988	46,204	163,300

4.5 There have been a number of amendments to the 2025/26 Capital Programme since it was originally approved in February 2024. Overall, there is a net increase of £93.192 funding for the year but just under half of this is as a result of the re-phasing of schemes. There have been some new additions and the net increase is £46.988m. The following are the most significant new additions to the 2025/26 Programme since February 2024.

- Cheadle Eco Business Park £15.162m directly funded borrowing (Economy, Regeneration and Housing);
- Disabled Facilities Grant of £3.148m (Economy, Regeneration and Housing);
- A net increase of £7.954m, largely made up of School Estate capital grant funding (Finance and Resources); and,
- £16.665m in Highways grant funding (Parks, Highways and Transport Services).

4.6 Capital schemes are regularly reviewed and the programme is adjusted accordingly. Since it was approved in February 2024, a net total of £46.204m in funds has been re-phased to the 2025/26 capital programme. The following are schemes where significant funds have been re-phased to or from the 2025/26 Capital Programme.

- Mayoral Development Corporation £5.651m directly funded borrowing (Economy, Regeneration and Housing);
- Weir Mill £13.500m directly funded borrowing (Economy, Regeneration and Housing);
- Affordable Housing £5.509m in loans to Stockport Homes Ltd (Economy, Regeneration and Housing); and,
- Schools Estate £20.199m in grant funding (Finance and Resources).

4.7 Officers are continuing to review the capital programme, particularly the phasing of schemes, and the capital programme will be amended for any significant changes prior to the Budget Council meeting.

4.8 **Portfolio Programmes**

The following paragraphs give a brief overview of significant schemes in the portfolio programmes for 2025/26. The 2025/26 to 2027/28 capital programme is set out in detail by portfolio at appendix two.

4.9 **Communities, Culture and Sport**

4.9.1 The Communities, Culture and Sport Portfolio has a Capital Programme of £14.488m for 2025/26 and this is for the Marple Community Hub Scheme.

4.9.2 In April 2023, the council was awarded capital levelling-up funding to deliver a new active communities hub within Marple. The main contractor for the delivery phase of the scheme has been appointed, the project is on track to hit its key milestones and completion is expected in 2025/26.

4.10 **Economy, Regeneration and Housing**

4.10.1 Economy and Regeneration Portfolio has the largest capital programme for 2025/26, with planned expenditure of £82.410m.

4.10.2 Regeneration Schemes make up a large proportion of the capital programme with £46.927m being allocated to schemes in 2025/26. The schemes include the following:

- £13.500m directly funded borrowing is being provided as a development finance facility to support the development of Weir Mill, which is a key strategic site within the Town Centre West area, adjacent to the planned Interchange development. The redevelopment works are due to complete in 2025/26;
- £10.287m of capital grant and directly funded borrowing for the Academy of Living Well, which is the development of a 70-bed care facility at the former St Thomas' Hospital site;
- £6.311m directly funded borrowing for Mayoral Development Corporation (MDC) Schemes, which relates to the acquisition of sites located in the MDC area; and,
- £15.162m capital grant and directly funded borrowing for Cheadle Eco Business Park, which will see the strategic redevelopment of new industrial space on council owned land.

4.10.3 There is £35.483m of capital funding for housing schemes in the 2025/26 capital programme.

- HRA schemes have planned capital investment of £25.479m in, with £14.730m allocated for HRA general capital schemes, which is largely financed from revenue funding via the HRA Major Repairs Reserve (MRR), and £10.749m towards HRA New Build schemes; and,
- £9.545m in loans to Stockport Homes for the Affordable Homes scheme.

4.11 **Finance and Resources**

4.11.1 This Portfolio has a capital programme of £32.775m for 2025/26.

4.11.2 £20.199m of the 2025/26 capital Programme relates to Schools Estate schemes, which is largely funded by capital grants (£19.272) with the remaining £0.927m being funded from corporate unsupported borrowing and external contributions. Schemes relating to the maintenance and condition and basic need provision of school places are continuing. School projects are being reviewed and assessed

and aligned to the latest asset management plan reviews of all school buildings identifying works required.

4.11.3 There is £12.576m for non-school estate capital schemes, which includes the following:

- £5.328m is for the Asset Management Plan, which aims to ensure that the council's asset base is fit for purpose and is in alignment with the council's strategic objectives and service delivery needs;
- £2.635m in loans to Totally Local Company for the fleet vehicle loan facility;
- £4.113m in directly funded borrowing for the redevelopment of Adswood Depot, which is the redevelopment to serve as the council's main operational base for Totally Local Company and highways.

4.12 **Parks, Highways and Transport Services**

There is £33.569m in the 2025/26 capital programme, £33.313m of which relates to highways schemes and the remaining £0.256m for Schemes in Parks.

4.12.1 Within Highways, SEMMMS A6 to Manchester Airport Relief Road is a long-term scheme and there is £13.594m of capital grant investment due for 2025/26.

4.12.2 Cheadle Town is a significant scheme within the Highways 2025/26 capital Programme, with £6.215m of grant funding. The scheme is to invest in walking and cycling facilities in Cheadle Town Centre and a new railways station, as part of the Government's Towns Fund Programme.

4.12.3 There is £9.763m of grant funding for the A34 Major Road Network.

4.12.4 The remaining Highways schemes in 2025/26 include the following significant schemes:

- Merseyway Car Park Waterproofing - £1.007m of directly funded borrowing to waterproof the structure to extend the life of the multi-storey car park; and,
- Street Lighting Investment Programme, which has £2.216m of directly funded borrowing in 2024/25 to upgrade illuminated equipment using LED technology.

5. **Future Capital Investment**

5.1 Several of the schemes making up the 2025/26 capital programme span a number of years and extend into 2026/27 and 2027/28. In addition, there are a number of capital projects that have received approval but not yet included in the three-year capital programme. As the plans for these schemes are developed and expenditure profiles established, they will be included in the capital programme. Further information about the future capital investment plans can be found in the Capital Strategy, appendix one to this report.

5.2 The Highways capital programme includes schemes where funding has been approved and allocated. As and when highways grant funding is allocated to the council, officers will work the Capital Board, Members and consult with the Communities and Transport Scrutiny Committee to determine the schemes these future funding awards are to be allocated to.

- 5.3 The highways network is a significant asset for the council and it is managed utilising an asset management approach under the strategic direction of the Transportation Asset Management Plan. In February 2014 a long-term Highways Investment Programme (HIP) was approved. The aim of the HIP was to improve the condition of the carriageways and footways and thereby mitigating the revenue pressures on the reactive maintenance and insurance budgets. The scheme required significant investment and a total capital funding of £100.6m largely corporate unsupported borrowing was approved over a nine-year delivery period. The final elements of the HIP were delivered in 2023/24, thus drawing this scheme to an end. Following the conclusion of the HIP programme, the council is progressing all aspects of highway maintenance through the annual capital maintenance funding devolved through Transport for Greater Manchester, and looking at how possible future HIP schemes might be funded.
- 5.4 At the time of writing this report, officers were preparing a report to Members on the Asset Management Plan capital programme to set out the funding requirements for the short to medium-term schedule of works on the operational estate. The additional funding required to support the necessary works will be added to the capital programme once approved.
- 5.5 HRA schemes make up a substantial part of the council's capital programme (Economy, Regeneration and Housing Portfolio). There is a total of £41.750m of investment planned for the 2025/26 three-year programme. The HRA Business Plan sets out the long-term strategic investment in the HRA, however, schemes are only included in the capital programme as and once they are committed to.

6. Capital Resources

- 6.1 The resources available to fund the 2025/26 three-year capital programme are set out in the table below. In addition, resources approved for schemes that span 2028/29 and beyond are included.

Resources	2025/26 £000	2026/27 £000	2027/28 £000	2028/29 Onwards £000
Capital Grants	79,949	19,491	1,245	906
Directly Funded Borrowing	59,054	17,292		
Unsupported Borrowing	4,668	3,076	2,458	3,406
Capital Receipts	3,704	306		
External Contributions	783	0		
Revenue Contributions (RCCO)	793	1,290		
HRA funding from MRR	14,349	14,713		
TOTAL	163,300	56,168	3,703	4,312

- 6.2 Government grant funding traditionally makes up a large part of the funding of the three-year capital programme and 45% of the proposed three-year programme is funded from grants. Significant grant funded schemes include, Marple Community Hub, Academy of Living Well, Cheadle Eco Business Park, HRA New Build Schemes, Schools Estates and various Highways schemes.

- 6.3 Prudential borrowing (directly funded and corporate unsupported borrowing) makes up 40% of the resources funding the three-year Capital Programme. Prudential borrowing must be sustainable and affordable and should only be used when a demonstrable benefit can be gained from the investment. Prudential borrowing could be seen as a substitute for reductions in other resources and the council will continue to manage borrowing within the boundaries of the Prudential Code.
- 6.4 The borrowing costs for directly funded borrowing (DFB) schemes, including third party loans, are met from repayments from portfolio cash limits or by annual repayments where the scheme is external to the council. The DFB schemes in the 2025/26 three-year Capital Programme are set out in the table below.

Directly Funded Borrowing by Scheme	2025/26 £000	2026/27 £000	2027/28 £000
<u><i>Economy, Regeneration and Housing</i></u>			
Markets and Underbanks - NLHF	495		
Weir Mill Development	13,500		
Mayoral Development Corporation	5,311	124	
Academy of Living Well	6,043	9,024	
Cheadle Eco Business Park	11,589	7,261	
HRA - New Build Schemes	2,600	268	
Affordable Homes (SHL loans)	9,545		
<u><i>Finance and Resources</i></u>			
TLC Fleet Vehicle Loan Facility	2,635	527	
Adswood Depot Redevelopment	4,113	88	
<u><i>Parks, Highways and Transport Services</i></u>			
Merseyway Car Park Waterproofing	1,007		
Street Lighting Investment Programme	2,216		
TOTAL	59,054	17,292	0

- 6.5 The borrowing costs for unsupported prudential borrowing schemes (USB) are met corporately and accounted for within the Medium-Term Financial Plan process. The USB schemes included in the 2025/26 three-year Capital Programme are set out in the table below.

Corporate Unsupported Borrowing by Scheme	2025/26 £000	2026/27 £000	2027/28 £000
<u><i>Finance and Resources</i></u>			
Asset Management Plan	4,137	3,036	2,418
School Estates - Special Sector	431		
<u><i>Parks, Highways and Transport Services</i></u>			
Schemes in Parks	100	40	40

TOTAL	4,668	3,076	2,458

- 6.6 Revenue funding, i.e. revenue contributions to capital outlay (RCCO) and HRA funding from the Major Repairs Reserve (MRR), is being used to finance £31.145m of capital expenditure in the 2025/26 three-year Programme. Most of this, £30.963m, is attributable to the HRA capital programme, with MRR providing £29.062m of this. The HRA is required to charge depreciation on its assets; this is an actual charge and is credited to the MRR. The funds in the MRR can then be used to lower the HRA Capital Financing Requirement or invest in capital expenditure.

7. Prudential Indicators

- 7.1 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.
- 7.2 The council is required to report on a number of prescribed prudential indicators to demonstrate that it is fulfilling these objectives. These indicators highlight how much of the council's revenue budget or HRA budget is being committed to servicing the prudential borrowing, i.e. the Ratio of Capital Financing Costs to Net Revenue Stream.
- 7.3 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 are included in the Capital Strategy, which can be found at Appendix One.
- 7.4 The prudential indicators, based on current commitments, existing plans and the proposals in the 2025/26 to 2027/28 Capital Programme are set out at Appendix Three for approval.

8. FINANCIAL AND RISK ASSESSMENT CONSIDERATIONS

- 8.1 The financial implications are covered in the body of the report.
- 8.2 There are no further financial and risk considerations arising from the report. This report is produced as a finance report and discusses in detail the governance framework in place that ensures capital investment remains affordable, prudent and sustainable.
- 8.3 It is confirmed that the Section 151 Officer has signed off the financial implications detailed within the report.

9. LEGAL CONSIDERATIONS

- 9.1 There are no Legal and Governance implications to consider as a result of the report and recommendations.
- 9.2 The council will ensure that all its capital investment activities comply with its statutory powers and regulatory requirements and the CIPFA Prudential Code.

10. HUMAN RESOURCES IMPACT

- 10.1 There is no impact to the workforce or the workforce of partner organisations as a result of the report and recommendations.

11. EQUALITIES IMPACT

- 11.1 The 2025/26 Capital Strategy and capital programme has been set to support the delivery of outcomes and outputs associated with the priorities of the council and is intrinsically linked to One Stockport Borough Plan, One Stockport: One Future, the Council Plan which are in turn supported by a number of strategy delivery plans. Both the Climate Action Now Strategy and our Fair and Inclusive framework run throughout each one of these strategies.
- 11.2 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.

12. ENVIRONMENTAL IMPACT

- 12.1 The 2025/26 Capital Strategy and capital programme has been set to support the delivery of outcomes and outputs associated with the priorities of the council and is intrinsically linked to One Stockport Borough Plan, One Stockport: One Future, the Council Plan which are in turn supported by a number of strategy delivery plans. Both the Climate Action Now Strategy and our Fair and Inclusive framework run throughout each one of these strategies.

13. CONCLUSIONS AND RECOMMENDATIONS

- 13.1 Cabinet is recommended to ask the Council Meeting to approve:
- The Capital Strategy at Appendix One;
 - The 2025/26 to 2027/28 Capital Programme and the funding arrangements as described in the report and set out at Appendix Two; and,
 - The prudential indicators supporting the 2025/26 Capital Programme set out in Appendix Three.

BACKGROUND PAPERS

There are none

Anyone wishing to inspect the above background papers or requiring further information should contact Jonathan Davies

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