

Classification: Open	Decision Type: Non-Key
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Report to:	Overview and Scrutiny Committee Cabinet Council	06 February 2024 14 February 2024 21 February 2024
Subject:	Capital Strategy 2024/25 to 2026/27	
Report of	Cabinet Member for Finance and Communities	

EXECUTIVE SUMMARY

The Capital Strategy forms part of the Council’s strategic and financial planning framework and provides a framework within which the investment plans will be delivered. The Capital Strategy 2024/25 to 2026/27 has been prepared to cover a 3-year period and is set out within this report.

The Capital Strategy reflects the Prudential and Treasury Management Codes issued by CIPFA in 2017 which require Councils to prepare a Capital Strategy and include specific information within it. The strategy therefore includes:

- A high-level, long-term overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services.
- An overview of how the associated risk is managed.
- The proposed capital programme 2024/25 to 2026/27.
- Financing the capital programme.

The Capital Strategy is prepared to deliver on the objectives of the Council as set out in the Let's Do It! Strategy, and sets out the long-term capital investment objectives, capital strategy requirements, governance arrangements and risk.

This strategy links directly to the medium-term financial strategy, the treasury management strategy, the schools’ capital strategy, the ICT and digital strategies and the asset management plan.

RECOMMENDATION(S)

That Overview & Scrutiny:

- Note content of this report.
- Consider if they wish to make any recommendations to the Cabinet on this report's content.

That Cabinet:

- Approve and commend the capital strategy to Council.

1. BACKGROUND

Capital Strategy

- 1.1 The aim of the Capital Strategy is to ensure that all elected members fully understand the overall long-term policy objectives and resulting Capital strategy implications, governance procedures and risk appetite.
- 1.2 The Strategy is intended to give a high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services along with an overview on how associated risk is managed and implications for future sustainability.
- 1.3 The Strategy considers the local authority's long-term aspirations considering corporate objectives, affordability criteria and available resources to guide capital investment decisions.
- 1.4 The current Strategy has been prepared for the period 2024/25 to 2026/27 but recognises that capital decisions are often for the longer term. However, longer term spending plans are more uncertain as funding streams, legislative changes, government policy, and the economic climate can influence plans.
- 1.5 To demonstrate that the Council takes capital expenditure and investment decisions in line with service objectives and properly takes account of stewardship, value for money, prudence, sustainability and affordability, this Strategy sets out the governance process around investment decisions and considers the risk, reward, and impact on the achievement of priority outcomes.
- 1.6 The Council ensures that all its capital investment plans, and borrowing are prudent and sustainable. In doing so this takes account of the Council's arrangements for the repayment of debt (including through MRP/repayment of loans fund) and consideration of risk, impact, and potential impact, on the Council's overall fiscal sustainability. While indicators are required to be set over a minimum three-year rolling period, they are aligned to the Strategy and Asset Management plans showing sustainability over the longer asset life period.

2. CAPITAL RESOURCES

- 2.1 The Council assesses the level of planned capital investment and makes a judgement about the level of capital resources which are likely to be available over the period of the programme. The main capital resources are service specific grants, third party contributions, capital receipts, lease finance and borrowing.
- 2.2 To support the ambitious programme set for the next three years, borrowing will become a key source of financing, that will result in an increase in the cost of borrowing overall and will add pressure to the revenue budget.
- 2.3 In developing the capital programme, the cost of borrowing, as a revenue cost, has been estimated and included in Council's Medium Term Financial Strategy.

Capital Financing Requirement (CFR)	2023-24 Estimate £m	2024-25 Forecast £m	2025-26 Forecast £m	2026-27 Forecast £m
CFR - GF	£202.370	£243.807	£283.965	£280.556
CFR - HRA	£119.216	£119.216	£119.216	£119.216

CFR - Policy/Non-Financial Investments	£65.159	£63.299	£62.799	£62.284
CFR Balance	£386.746	£426.322	£465.981	£462.056
Movement in CFR	£15.626	£39.576	£39.659	(£3.925)
Financing Requirement	£18.156	£44.209	£43.419	£0.500
Minimum Revenue Provision (MRP)/ Loans Fund Repayments	(£2.530)	(£4.633)	(£3.760)	(£4.425)
Voluntary Revenue Provision (VRP)	£0.000	£0.000	£0.000	£0.000
Movement in CFR	£15.626	£39.576	£39.659	(£3.925)

The Authority's MRP (minimum revenue provision statement) and loans fund policy is further set out within the Treasury Management Strategy [Appendix 3].

2.4 Central Government Allocations and External Grants and Contributions

2.4.1 Some capital projects are financed through allocations received directly from the Government Departments or external grants and contributions, which are mostly specific to projects and cannot be used for other purposes.

2.4.2 Examples of these would include the allocations for schools, highway maintenance or disabled facilities grants from Central Government.

2.4.3 The new funds being made available by the Government are subject to competitive bidding rounds and to maximise the opportunity that these present, the Council needs to ensure it has the required resources to develop these bids.

2.4.4 Grants from external organisations are a valuable source of capital finance for the Council and have enabled the Council to realise a substantial number of Capital developments in the past that would otherwise have been unable to progress.

2.4.5 The Council will continue to explore cost effective opportunities for grants from external bodies. However, support through grants cannot be accurately predicted and therefore the Council recognises that it cannot depend on this source entirely. The Council will also ensure that exit strategies are prepared in the case of on-going projects funded through external support, in the event of the support being withdrawn.

2.5 Capital Receipts

2.5.1 The Council generates capital resources through the sale of surplus land and buildings. The Cabinet, at its November 2020 meeting, approved an accelerated land disposal programme aimed at generating significant capital receipts for the Borough of Bury.

2.5.2 A summary of the anticipated capital receipts adjusted to take into consideration a risk analysis on time and value, is included in the table below:

Table 1: Estimates of Capital Receipts in £ millions

Confidence Level	Adjustment Factor	2023-24	2024-25	2025-26
		High	80%	5.597
Medium	65%	0.111	2.015	1.864
Low	33%	0.008	0.558	0.495
Complete	100%	3.086	0.000	1.320
TOTAL Estimated Receipts		8.801	7.701	6.228

2.5.3 For prudence it is recommended that only those values of high confidence or already complete are taken forward and recognised as a funding source for the capital programme.

2.5.4 The Council holds its General Capital Receipts corporately, to reflect its commitment to a priority-led approach to the allocation of resources and continue to maintain a policy of not ring-fencing the use of capital receipts to fund new investment in specific schemes or service areas. However, it does recognise that exceptionally there will be instances in which it will be necessary to earmark receipts to schemes, as reflected in the Capital Receipts Strategy approved by Capital Board in June 2023.

2.5.5 The receipts generated from the sales of Right to Buys and other general Housing receipts will be retained for re-investment in the Council's housing provision.

2.6 Borrowing

2.6.1 From 1 April 2004 Authorities have had the discretion to borrow in line with the CIPFA Prudential Code, which is known as 'Unsupported Borrowing'.

2.6.2 The Council can make use of the opportunity for the Prudential Borrowing where it is most cost effective and if its capital investment plans are affordable, sustainable, and prudent. It hence makes a choice on whether revenue resources are used to fund direct service delivery or reserved to finance costs of borrowing for capital investment.

2.6.3 The Council will consider the use of unsupported borrowing in three specific circumstances:

- 1) Strategic investment – where strategic investment to support the Borough's economy is required, subject to a detailed business case.
- 2) Invest to save schemes - where pump priming assistance is required but overall, costs are met from additional revenue/capital income or savings generated by the scheme. Pump priming can be funded from unsupported borrowing or from slippage/internal resources.
- 3) Discretionary unsupported schemes - where the related expenditure meets with Council ambitions/priorities at service level and would not be able to proceed through another funding source. Any such schemes must be specifically approved by the Cabinet or Council and be supported by a detailed business case.

The business case should explain the link between borrowing and expected asset lives, to ensure that an appropriate charge is built in the revenue budget and reflected in Council Tax and Housing Rent levels.

2.7 Revenue Contributions and Reserves

The Council can also use revenue resources to fund capital projects, although revenue budgets have come under increased pressure over recent years and the ability to use revenue is restricted. The proposed Capital Programme requires borrowing and the cost of borrowing to support the 2024/25 programme has been factored into the 2024/25 budget. Any requirements beyond this will need to be factored into the Medium-Term Financial Strategy (MTFS). The Council may also finance capital schemes from S106 monies or earmarked reserves.

2.8 Lease financing

The Council is currently on course to replace all its vehicles and equipment held currently on operational leases and future financing for this type of assets will be done through borrowing or other appropriate funding.

2.9 Joint Ventures

2.9.1 The Council is currently undertaking significant regeneration activity in both Bury and Prestwich Town Centres, for which the Authority has engaged with national developers as Joint Venture partners for the Mill Gate Shopping Centre and Prestwich Village. These programmes will deliver significant housing growth in addition to enhanced business rates income, whilst safeguarding the sustainability and vitality of each town centre.

2.9.2 The Capital Programme includes £19.3m investment into Prestwich village over the next two years ending 2025/26. The Joint Venture partners are considering the funding strategies for the development, alongside development design and phasing arrangements.

3.0 CAPITAL EXPENDITURE AND FINANCING PROPOSALS

3.1 Capital expenditure is where the Authority spends money on assets, such as property or vehicles, that will be used for more than one year. In local government this includes spending on assets owned by other bodies, and loans and grants to other bodies enabling them to buy assets.

3.2 In 2024/25 the Authority is planning capital expenditure of £146.928m, as summarised in the table below:

Table 2: Prudential Indicator: Estimates of Capital Expenditure in £ millions

	2023/24 forecast £m	2024/25 budget £m	2025/26 budget £m	2026/27 budget £m
General Fund services	50.716	123.846	61.060	4.598
Council housing (HRA)	17.118	23.082	14.605	17.103
Capital investments	0.000	0.000	0.000	0.000
TOTAL	67.835	146.928	75.665	21.701

3.3 The Council's 2024/25 to 2026/27 proposed capital investment is further detailed in Appendix 1. The proposed programme takes account of the latest monitoring position on the 2023/24 capital programme including any identified rephasing that has been agreed for carry forward into the 2024/25 and 2025/26 financial years.

3.4 The proposed Capital Programme is focused on some main themes that align to the Council's objectives and outcomes including:

- Regeneration and Economic Growth (key areas within the borough).
- Place Shaping/Growth (strategic investment to support economic efficiency).
- Sport and Leisure.
- Highways.
- Children and Young People (including schools).
- Estate Management (investment and corporate landlord).
- Older People and Disabled Facilities Grant.
- Housing (general and housing revenue account).
- Climate change (including carbon neutrality).

3.5 The revised capital budget for 2023/24 is £72.277m, with a forecast outturn at quarter 3 of £67.835m. The following schemes are proposed to have some of their 2023/24 budget rephased into 2024/25 and 2025/26:

Table 3: Re-phasing of Capital Expenditure to future years, in £ millions

Capital Theme	Rephasing to 2024/25 £m	Rephasing to 2025/26 £m
Regeneration and Economic Growth	46.973	6.073
Place Shaping/Growth	1.636	0.000
Sports and Leisure	2.110	1.700
Highways	5.040	0.000
Children and Young People	19.426	0.000
Estate Management - Investment Estate	0.081	0.000
Estate Management - Corporate Landlord	0.656	0.850
Older People and Disabled Facilities Grant	1.650	0.000
Housing General Fund	0.753	0.000
Climate Change	0.172	0.000
Grand Total	78.497	8.623

3.6 The total capital budget for 2024/25 planned at £146.928m is funded externally, or through the HRA and major repairs reserve to a total of £97.646m and £4.973m is identified as funded by capital receipts.

3.7 During the year it is likely that further government funding allocations will be announced, or new initiatives identified and put forward for approval. The Council can elect to fund these from other sources, including capital receipts, other partners' contributions, or reserves. The Phasing of expenditure as more detailed implementation plans are drawn is considered a normal feature of the capital programme.

3.8 The Housing Revenue Account (HRA) is a ring-fenced account which ensures that council housing does not subsidise, or is itself subsidised, by other local services. HRA capital expenditure is therefore recorded separately and includes the building of new homes over the forecast period.

A stock condition survey is underway, and any resulting review of the capital requirement will be presented to Members during the year.

- 3.9 The capital programme position will be closely observed during the year and all latest information in respect of funding allocations will be presented to Members in future reports.

4. ONGOING SCHEMES

4.1 Regeneration and Economic Growth - Levelling Up funded schemes.

The Levelling Up Fund (LUF) focuses capital investment on local infrastructure by regenerating town centers, investment in cultural facilities and upgrading local transport infrastructure. It will have a visible impact on people and places and support economic recovery.

The Council has been successful in two levelling up bids for Radcliffe (£20m) and Bury (£20m). These schemes are supported by match funding from capital receipts and borrowing. The total investment included in the next two years is £43.3m for 2024/25 and £22.9m in 2025/26. The proposed capital plan takes account of unforeseen delays for the Bury scheme arising from the land assembly element, for which discussions to support an extension to the completion deadline are being held with DLUHC (Department for Levelling Up, Housing and Communities) and other stakeholders.

- 4.2 **Regeneration and Economic Growth – other schemes.** Apart from the two major LUF schemes, the capital budget contains a significant amount of regeneration works that were approved in previous years and covers sites and areas across the Council, such as the Prestwich Village or Ramsbottom Town Plan.

- 4.3 **Place Shaping/Growth.** The proposed relocation of Pennine Care Foundation Trust staff and clinics from Humphrey House will continue, alongside releasing other sites in the borough to facilitate and support future investment.

- 4.4 **Sports and Leisure.** Investment in outdoor spaces, including parks, as well as leisure facilities are assumed within the capital programme to promote healthier lifestyles and wellbeing. Some of the schemes are supported by grant funding that relieves the pressure on the council's own resources for this type of assets. The Parks strategy will continue into 2024/25.

- 4.5 **Highways.** The Council's transport capital programme includes over £60m of investment for the 5-year period up to March 2027, most of which is from the Government's City Regional Sustainable Transport Settlement (CRSTS) and allocated largely to the Greater Manchester Combined Authority through the statutory Local Transport Plan (LTP) - the Greater Manchester Transport Strategy 2040, and its supporting 5-year Delivery Plan. Other notable funding streams include the Mayor's Cycling and Walking Challenge Fund, the Active Travel Fund and the Council's own resources which are being invested in maintaining roads and other highway infrastructure through, for example, the Highways Investment Strategy and the Street Lighting Replacement Programme. Key elements of Buy's current Transport Capital Programme include:

- £15.4m funding for cycling and walking improvements in Bury, Radcliffe and Ramsbottom town centres from CRSTS.
- £0.5m from United Utilities' Green Recovery Fund to implement a Sustainable Urban Drainage Scheme as part of the active travel proposals for Radcliffe.
- £10m of the Council's own resources over the 3 years 2023/24 to 2026/27 to repair and maintain the local roads through Tranche 3 of the Highways Investment Strategy

(HIS). The Council will have invested £30m in total in road maintenance through the HIS programme by March 2027.

- £2.549m per year core funding for highway maintenance from CRSTS, with additional Pothole Funding of £0.323m in 2023/24 and a further £0.323m expected in 2024/25, meaning total investment of at least £13.4m across 2022/23 to 2026/27.
- £0.9m per year to maintain Bury's Key Route Network, a total of £4.5m CRSTS funding across 2022/23 to 2026/27. The Key Route Network is made up of some of the busiest roads in Greater Manchester.
- £9.4m for other walking and cycling improvements from the Mayor's Cycling and Walking Challenge Fund and several rounds of the Government's Active Travel Fund, with investment totalling £14.5m across 2022/23 to 2024/25, and potentially additional funding for 2024/25 and beyond.
- £1.088m to invest in improvements that will make the road network safer, with the potential for further annual allocations from the Greater Manchester Combined Authority.
- £3.4m on street lighting repairs and replacement across 2023/24 and 2024/25.
- £0.6m CRSTS funding to invest in expanding the Borough's network of publicly available Electric Vehicle Charging Points, with the potential for further funding for Bury from the £16.158m being made available to Greater Manchester's from Government's Local Electric Vehicle Infrastructure Fund.

The Council will continue to seek additional funds to deliver the investment priorities in the Bury Local Transport Strategy, and the ambitions and policies of the Greater Manchester Transport Strategy, which includes further capital investment in Bury's transport infrastructure on projects such as the new £87 million Bury Interchange, for which there is £47m in CRSTS1, with a further £37 million needed from CRSTS2.

- 4.6 **Children and Young People (including schools).** Anticipated grant income for schools related expenditure has been assumed for the funding that is known. £19.4m of the funding received in 2023/24 and brought forward from previous years is to be rephased into 2024/25. Further potential Education Capital allocations are still awaited and will be reflected in the strategy as and when the information becomes available.
- 4.7 **Estate Management.** Previously approved schemes to ensure the council's estate is not only fit for purpose but significantly improved, will continue into next two years.
- 4.8 **Older People and Disabled Facilities Grant.** The scheme will continue to assess new and existing referrals in line with DLUHC's conditions for assisting the suitability of private homeowners and reduce the pressure on social care.
- 4.9 **Housing Revenue Account (HRA).** The continuation of annual investment in the Council's properties will be based on the new 30-year Business Plan which uses the most up-to-date stock condition information available. It will also include developments and acquisitions of properties where appropriate, to replenish and increase the housing provision in the borough.
The programme will be funded the HRA, the Major Repairs Reserve, carbon reduction grants and receipts realised from the Right to Buy scheme. The use of HRA borrowing, if required, will be subject of future approvals.
- 4.10 **Climate change.** Schemes previously approved for Waste Management and Climate Change Resilience fund are continuing into 2024/25. Larger projects aimed at carbon neutrality are underway as part of the Council's stock for social housing improvement, in the HRA programme.

5. NEW SCHEMES

The capital budget for 2024/25 includes £29.965m of new schemes.

5.1 **Highways.** £14.925m of new projects have been included for schemes related to Highways health and safety, maintenance, and other urgent works to ensure both the safety of Bury residents and the transport links within the borough.

5.2 **Children and Young People.**

Planning for the delivery of the new secondary school in Radcliffe are at an advanced stage. Planning permission for the provision of a temporary modular solution to accommodate the 2024 intake, and the permanent build to be available from September 2025, have both been approved. Cabinet has previously approved financial contributions to the scheme that include a capped sum of £500k in relation to the provision of modular accommodation; an indicative sum of £1.229m in relation to the access road to the new school; and a sum of £2,446m in relation to site clearance and construction of an all-weather pitch. This latter sum only becomes payable if the Council fails to provide vacant possession by the 1st of March 2024. Plans are at an advanced stage (January 2024) to ensure that vacant possession is achieved by the agreed date. In respect of the access road, the Council has introduced a requirement for a specific junction design where the road joins Spring Lane. This will result in additional costs to be funded from the CRSTS (City Region Sustainable Transport Settlement) grant. DfE (Department for Education) are expected to provide detailed costs for the access road, including a new junction by February 2024, and this may necessitate further funding approval, either from the Children's Services Capital programme or the CRSTS grant.

5.3 **Estate Management - Corporate Landlord**

An amount of £0.5m will allow reactive and planned works to the Council's estate to take place during the year.

5.4 **Older People and Disabled Facilities Grant**

Disabled adaptations improve the quality and suitability of client home environments which can be effective in preventing, delaying, and reducing demand for social care and health care. The Council has included £2.1m toward grant payments to private homeowners in 2024/25.

5.5 **Housing Revenue Account (HRA).** Aside from the annual programme of major repairs to maintain its social housing stock, the Council has built in the HRA capital programme schemes that aim to replenish its housing provision. A £5m investment partly funded by Homes England in 2024/25 demonstrates the Council's commitment to achieving its Housing objectives.

6. FUNDING THE CAPITAL PROGRAMME

All capital expenditure must be financed, either from external sources (government grants and other contributions), the Authority's own resources (revenue, reserves, and capital receipts) or debt (borrowing or leasing). The planned financing of the above expenditure is as follows:

Table 4: Capital expenditure and financing in £ millions

Financing the Capital Programme	2023/24 Forecast £m	2024/25 Proposed Programme £m	2025/26 Proposed Programme £m	2026/27 Proposed Programme £m
Capital Expenditure by Theme				
Regeneration and Economic Growth	£11.117	£51.786	£39.012	£0.000
Place Shaping/Growth	£0.848	£1.986	£0.000	£0.000
Sports and Leisure	£3.948	£5.709	£2.000	£0.000

Operational Fleet	£3.735	£0.000	£0.000	£0.000
ICT and Digital	£1.945	£0.000	£0.000	£0.000
Highways	£15.117	£28.624	£15.528	£1.998
Children and Young People	£9.064	£26.866	£1.070	£0.000
Estate Management - Investment Estate	£0.070	£0.081	£0.000	£0.000
Estate Management - Corporate Landlord	£2.594	£2.388	£1.350	£0.500
Older People and Disabled Facilities Grant	£1.595	£3.750	£2.100	£2.100
Housing GF	£0.436	£2.484	£0.000	£0.000
Housing HRA	£17.118	£23.082	£14.605	£17.103
Climate Change	£0.247	£0.172	£0.000	£0.000
TOTAL EXPENDITURE	£67.835	£146.928	£75.665	£21.701
Funding Sources				
Prudential Borrowing	£18.156	£44.209	£43.419	£0.500
External Funding	£30.840	£77.001	£15.814	£4.098
Capital Receipts	£6.526	£4.973	£3.786	£2.032
General Fund RCCO	£0.912	£0.783	£0.000	£0.000
Housing Revenue Account DRF/MRR	£11.400	£19.961	£12.646	£15.070
TOTAL FUNDING	£67.835	£146.928	£75.665	£21.701

It is proposed that the new schemes be funded through a combination of external grants and allocations, capital receipts and borrowing. The borrowing costs have been reflected in the Council's Treasury Management Strategy [paragraph 2.3].

7. PRIORITISING, MANAGING, MONITORING, REPORTING AND EVALUATING THE CAPITAL PROGRAMME

Prioritising Capital Resources

- 7.1 It has long been demonstrated that the demands for capital investment tend to exceed available resources. To alleviate this, a robust mechanism is in place to assess schemes against key criteria and assist in decision prioritisation for use of capital resources.
- 7.2 There is a cross departmental multi-disciplinary team in place which has formed a Capital Programme Board to review the capital gateway processes. This includes a review of governance and the approval and monitoring of capital schemes. The process will ensure wider ownership of the monitoring of the capital programme and will include progress updates on each scheme against forecast outcomes as well as risk monitoring.
- 7.3 This framework prioritises the capital investment for the Council's Capital Programme. By using this prioritisation process on an annual basis to decide the Capital programme for the following year, it allows the review of the whole three-year rolling capital programme. This review of schemes allows the addition, withdrawal or deferral of capital investment ensuring available capital resources are focused on corporate priorities.
- 7.4 Reviewing the Capital Programme is an on-going process and in the past several years the available resources have been reducing constantly due to new identified funding requirements and a slowdown in available suitable for disposal surplus assets. A full review of the capital programme has been carried

out which has provided greater insight and transparency of the programme. This means that the Council can be more effective in its monitoring and scrutiny.

- 7.5 As part of the gateway process, resource requirements including specialist support will be assessed. Ensuring that sufficient resources are available across the organisation to support the delivery of the capital programme is key to its delivery and the Capital Programme Team will explore and capture the dependencies of each project for teams to be able to plan resources accordingly.

Monitoring and Reporting on the Capital Programme

- 7.6 The Capital Programme will be monitored regularly throughout the year by the Capital Programme Board and is reported to Cabinet on a quarterly basis.

Details of spend, potential re-profiling of the programme and any significant changes in funding assumptions, including the level of asset disposals which are always critical for the delivery of the Capital Programme will continue to be included in the quarterly and other, ad-hoc reports throughout the year to ensure Cabinet and Members are kept informed of the programme's progress and delivery.

8. COMMERCIAL ACTIVITIES

- 8.1 The council can invest in property or other commercial activities purely or mainly for financial gain, however local authorities must not borrow to invest primarily for financial returns. Investment assets bought primarily for financial return (previously known as investment assets bought primarily for yield) are assets that serve no direct policy purpose but are held primarily to generate an income.
- 8.2 The proposed Capital programme 2024 to 2027 does not include any investment of this nature, thus ensuring the ability to borrow from Public Works Loan Board (PWLB) for its capital plan is maintained over the next three years.
- 8.3 The Council will continue to observe the guidance and updates from DLUHC and HM Treasury that refers to the non-financial yield bearing investments.

Other Liabilities

Impact of newly adopted Accounting Standards:

From 1 April 2024, local authorities are required to implement a new accounting standard known as IFRS 16. This standard requires that assets previously recognised as operating leases will, in many cases, need to be accounted for on the balance sheet. Authorities will need to recognise an asset corresponding to their 'right to use' assets held under operating leases and a liability corresponding to the payments due under the relevant leases to secure use of the leased assets.

The authority does not expect its CFR to be significantly impacted by the implementation of IFRS 16, however this will be kept under review and updates will be presented to Members during 2024-25.

9. RISK MANAGEMENT

9.1 There are some inherent risks in the Capital Strategy. These include:

9.1.1 Capital receipts are not realised to the level anticipated. This is a major risk and is one that has impacted on past programmes. To mitigate this risk, it is strongly recommended that schemes reliant on capital receipts do not begin until there is a high degree of certainty that the relevant receipt will materialise.

9.1.2 Interest Rates have increased since 2022. Planning for Prudential Borrowing can be affected by rises in interest rates making the borrowing option less attractive as a funding option and putting at risk longer term large capital schemes.

9.1.3 Schemes need re-profiling from one year to the next. This is considered a normal feature of capital schemes and can occur for many reasons. The risk can be mitigated by slipping corresponding resources between years and is not felt to be high. The new capital gateway processes should improve the profiling of expenditure and the delivery of schemes in line with expectations.

9.1.4 Scheme costs increase. Whilst not unusual, increased costs can occur due to several factors and sometimes cannot be mitigated without impacting other schemes in the programmed or future years' resources. This risk can be reduced by using sound costing techniques, effective project management and monitoring schemes using a risk assessment approach.

9.1.5 Delivery of the programme and ensuring sufficient capacity is available is a risk. As part of the new gateway processes, resource requirements for delivery will be fully assessed and incorporated in the detailed plans. This will include ensuring appropriate specialist skills and requirements are identified and that arrangements are in place for these to be sourced.

9.1.6 Government grant funding is key to delivering the Council's aspirations and longer-term ambitions as intended. As changes or reductions to government grant funding may adversely affect the delivery of the capital programme, the funding available for capital investment is closely monitored and included in reports to Cabinet throughout the year.

10. Knowledge and Skills

10.1 The Capital Programme and the Treasury Management function are both managed by teams of professionally qualified accountants with considerable experience of local government finance.

Officers maintain and develop their skills and knowledge through programmes such as Continuous Professional Development and by attending various courses and conferences held by CIPFA and other sector experts on an ongoing basis.

10.2 The Interim Director of Finance, in their capacity as Section 151 Officer, has overall responsibility for ensuring the proper management of the Council's capital programme, asset portfolio and treasury management activity and follows an ongoing CPD programme.

REFERENCES and IMPLICATIONS

Links with the Corporate Priorities:

The strategic imperatives of the LET's Do It! Strategy, to deliver economic growth faster than the national average are facilitated by this capital programme which is supporting the

economic regeneration of our Borough and the building and development of new schools and educational places.

This Capital budget provides the resources to maintain the Councils strategic leadership of the LETS's Do IT! Strategy, including the specific delivery priorities for 2024/25 and beyond which are described in the Corporate Plan.

1. Delivery of the Let's Do It Strategy is dependent on resources being available. The delivery of the strategy may be affected by changes in funding and spending.

Equality Impact and Considerations:

2. *Not applicable*

Environmental Impact and Considerations:

3. *The Council is working towards becoming a carbon neutral organisation by 2038. All*
4. *capital build projects are developed with carbon impacts fully taken into consideration.*

Assessment and Mitigation of Risk:

Risk / opportunity	Mitigation
<p>The Council's capital resources are not managed effectively.</p> <p>The Council's capital resources are not targeted to priorities and outcomes and the benefit of the investment across the Borough is not maximised.</p>	<p>The capital programme and the gateway process ensure that all available resources are identified and that, where borrowing is required, the costs are reflected in the Council's revenue strategy.</p> <p>The approach ensures that schemes can be developed and prioritised throughout the year and that appropriate monitoring arrangements are in place.</p>

Legal Implications:

This report forms the suite of reports with Members need to consider when setting the Council's budget. Members need to give due regard to the setting of the capital budget when undertaking the budget setting process.

The Council must set the budget in accordance with the provisions of the Local Government Finance Act 1992 and approval of a balanced budget each year is a statutory responsibility of the Council.

The Council is required by the Local Government Finance Act 1992 to make specific estimates of gross revenue expenditure and anticipated income leading to the calculation of the Council tax requirement and it must be sufficient to meet the Council's legal and financial commitments to ensure the proper discharge of its statutory duties and lead to a balanced budget. In setting the budget the Council has a duty to ensure that it continues to meet its statutory duties.

Financial Implications:

The financial implications are detailed within the report.

Appendices:

Appendix 1 Capital budget.

Background papers:

Please list any background documents to this report and include a hyperlink where possible.

The Council Budget 2024/25 MTFS
Quarter 3 Cabinet Monitoring Report

Please include a glossary of terms, abbreviations and acronyms used in this report.

Term	Meaning
CIPFA	Charter Institute of Public Finance and Accountancy
JV	Joint Venture
HRA	Housing Revenue Account
DFE	Department for Education
SEND	Special Educational Needs and Development

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APPENDIX 1

	2024/25 Capital Programme				2025/26 Capital Programme				2026/27 Capital Programme	
	Approved Programme FEB23	Proposed Programme Updates	NEW Capital Programme & Bids	Revised Programme	Approved Programme FEB23	Proposed Programme Updates	NEW Capital Programme & Bids	Revised Programme	NEW Capital Programme & Bids	Revised Programme
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Capital Expenditure by Theme										
Regeneration and Economic Growth	£38.252	£13.534	£0.000	£51.786	£0.000	£39.012	£0.000	£39.012	£0.000	£0.000
Place Shaping/Growth	£0.350	£1.636	£0.000	£1.986	£0.000	£0.000	£0.000	£0.000	£0.000	£0.000
Sports and Leisure	£1.260	£4.449	£0.000	£5.709	£0.300	£1.700	£0.000	£2.000	£0.000	£0.000
Highways	£8.659	£5.040	£14.925	£28.624	£6.330	£0.000	£9.198	£15.528	£1.998	£1.998
Children and Young People	£8.500	£10.926	£7.440	£26.866	£8.000	(£8.000)	£1.070	£1.070	£0.000	£0.000
Estate Management - Investment Estate	£0.000	£0.081	£0.000	£0.081	£0.000	£0.000	£0.000	£0.000	£0.000	£0.000
Estate Management - Corporate Landlord	£2.232	(£0.344)	£0.500	£2.388	£0.000	£0.850	£0.500	£1.350	£0.500	£0.500
Older People and Disabled Facilities Grant	£0.000	£1.650	£2.100	£3.750	£0.000	£0.000	£2.100	£2.100	£2.100	£2.100
Housing General Fund	£0.000	£2.484	£0.000	£2.484	£0.000	£0.000	£0.000	£0.000	£0.000	£0.000
Housing Revenue Account (HRA)	£14.247	£3.835	£5.000	£23.082	£14.000	£0.605	£0.000	£14.605	£17.103	£17.103
Climate Change	£0.000	£0.172	£0.000	£0.172	£0.000	£0.000	£0.000	£0.000	£0.000	£0.000
TOTAL EXPENDITURE	£73.500	£43.463	£29.965	£146.928	£28.630	£34.167	£12.868	£75.665	£21.701	£21.701
Financing the Capital Programme										
Prudential Borrowing	£55.330	(£11.621)	£0.500	£44.209	£11.057	£31.862	£0.500	£43.419	£0.500	£0.500
External Funding	£3.446	£47.090	£26.465	£77.001	£3.446	£0.000	£12.368	£15.814	£4.098	£4.098
Capital Receipts	£0.477	£3.376	£1.120	£4.973	£0.127	£3.659	£0.000	£3.786	£2.032	£2.032
General Fund Revenue contribution (RCCO)	£0.000	£0.783	£0.000	£0.783	£0.000	£0.000	£0.000	£0.000	£0.000	£0.000
Housing Revenue Account Direct Revenue Financing, Major Repairs Reserve (DRF/MRR)	£14.247	£3.835	£1.880	£19.961	£14.000	(£1.354)	£0.000	£12.646	£15.070	£15.070
TOTAL FINANCING	£73.500	£43.463	£29.965	£146.928	£28.630	£34.167	£12.868	£75.665	£21.701	£21.701