

# WARRINGTON BOROUGH COUNCIL

## FULL COUNCIL – 24<sup>th</sup> FEBRUARY 2025

|                                    |                                                                       |                                   |
|------------------------------------|-----------------------------------------------------------------------|-----------------------------------|
| <b>Report of Cabinet Member:</b>   | Councillor D Matthews Cabinet Member - Finance, Assets & Investments  |                                   |
| <b>Director:</b>                   | Lynton Green, Deputy Chief Executive & Director of Corporate Services |                                   |
| <b>Senior Responsible Officer:</b> | Danny Mather – Director of Finance (Corporate Finance)                |                                   |
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| <b>Key Decision No.</b>            |                                                                       |                                   |
| <b>Ward Members:</b>               | All                                                                   |                                   |

**TITLE OF REPORT:** 2025/26 CAPITAL STRATEGY

### **1. PURPOSE**

- 1.1 To seek Full Council approval of the Council's 2025/26 Capital Strategy which incorporates the 2025 - 2028 Capital Programme and the Capital Receipts Flexibilities Policy.

### **2. CONFIDENTIAL OR EXEMPT**

- 2.1 This report is not confidential or exempt.

### **3. INTRODUCTION AND BACKGROUND**

- 3.1 The Capital Strategy has been developed after having regard to the CIPFA Prudential Code for Capital Finance in Local Authorities (2021 edition), as required in order to ensure that all amounts borrowed by the Council are affordable. The purpose of introducing a capital strategy is primarily to give a clear and concise explanation of the manner in which the Council determines its capital investment decisions and priorities. It is intended to give a high-level overview of how capital expenditure, capital/investment financing and treasury management strategies contribute to the Council's provision of services. It includes an overview of how associated risk is to be managed, and the implications for future financial sustainability.

- 3.2 The Capital Strategy focuses on core principles that underpin the Council's three-year

capital programme as presented in this Strategy. It gives a position statement with regard to capital investment and the resources available in terms of funding. The Strategy projects what the Council plans to achieve, together with an indication of all relevant implications. It also focuses on the key issues and risks that will impact on the delivery of the Council's capital plans, and the governance framework required to ensure that the Strategy objectives are delivered.

- 3.3 The Capital Strategy maintains a strong and current link to the Council's priorities and to its key strategy documents, notably the Treasury Management Strategy, Medium Term Financial Strategy, the Corporate Strategy, and its MRP Strategy.
- 3.4 The Capital Strategy aims to provide a central focus to the various individual strategies, in particular demonstrating how stewardship, value for money, prudence, sustainability and affordability will be satisfied.
- 3.5 The Capital Strategy will play a key role in delivering our pledges and priorities of the Council's Corporate Strategy which pledges to ensure:

## Our Corporate Strategy 2023 - 2024 - at a glance

**Our pledges and priorities**

|                                                                                                                                                                                                                                                                                                                                                                                    |                                                                                                                                                                                                                                                                                       |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
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| <b>Our residents live healthy, happy and independent lives</b> <ul style="list-style-type: none"> <li>People are healthy, safe and well</li> <li>Enable a healthy start in life</li> <li>High quality education and youth facilities</li> <li>Early intervention to prevent long-term health conditions arising</li> <li>Tackle poverty and help those in greatest need</li> </ul> | <b>Everyone benefits from our thriving economy</b> <ul style="list-style-type: none"> <li>A place where businesses invest and thrive</li> <li>A place that provides opportunity for all</li> <li>Invest in and provide access to the right employment skills and education</li> </ul> | <b>Communities are safe, strong and our most vulnerable are protected</b> <ul style="list-style-type: none"> <li>A safe place</li> <li>Safeguard our children and adults and protect our most vulnerable</li> <li>People have opportunities to thrive</li> <li>A place of culture, sport, wellbeing and lifelong learning</li> <li>Empowered, resilient and independent communities</li> <li>Actively support our residents, businesses and communities impacted by coronavirus</li> </ul> | <b>Our town is clean, green and vibrant</b> <ul style="list-style-type: none"> <li>Make better use of our natural spaces to improve climate change and green travel</li> <li>Improve air quality</li> <li>Building and environmental compliance</li> <li>Effective waste management</li> <li>Make best use of green spaces and natural resources</li> <li>Streets and public places are clean</li> <li>Sustainable transport and travel</li> </ul> |
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**Crosscutting themes: sustainability, cost of living & reducing inequalities**

**Our values:**

- Open, honest and accountable** - we will listen to and learn from our communities, and do what we said we would
- Treating people fairly & equally** - we will respect our customers and each other, challenge discrimination and inequality
- Spending money wisely** - we will be financially sustainable, looking for different and better ways of delivering key services
- Working in partnership** - we will build relationships and work collaboratively with others to maximise our strengths and resources
- Forward thinking** - we will open to change, new challenges and innovative ways of doing things
- Working with and engaging communities** - we will encourage and empower people to build their own strengths and abilities, encouraging residents to take pride in their area

It will do this by supporting services such as regeneration, housing provision/improvement, transport, social care, and the wellbeing of the residents of Warrington. The new strategy is currently being put together; on completion the Capital Strategy will link to new Corporate Strategy for 2025-2029 which is going to Full Council in new financial year.

- 3.6 In addition, for the Council, responsible investment is a key added lens for capital investments. The Council has declared a Climate Emergency previously but beyond this, there is a growing appreciation that financial markets and investments cannot be removed

from the wider environment and society within which they sit. This means articulating and clarifying the Council's approach towards responsible investment, sustainability, its impact on society and the environment, as well as other ethical and good governance considerations. These factors can collectively be termed ESG (Environmental, Social and Governance).

- 3.7 Integrating ESG will allow the Council to deliver on key goals and also improve the long-term resilience of its investments, particularly as it is now increasingly clear that there are financial benefits to be gained in the long-term from recognising the impact of climate change, efficient energy consumption, sustainable resources, inclusion, diversity, equality and strong corporate governance.

#### **4. CHANGES TO EARLIER STRATEGY**

- 4.1 There are no major material changes to the 2025/26 Capital Strategy when compared to the 2024/25 strategy. The emphasis for 2025/26 will be on regeneration, housing, transport, waste and climate change.

#### **5. 2025-2028 CAPITAL PROGRAMME**

- 5.1 The Council's Capital Programme for the years 2025/26 – 2027/28, together with their associated financing and Capital Flexibilities Policy, is attached as Appendices A & B to this report.

#### **ASSET MANAGEMENT**

- 6.1 The Council has a wide property portfolio. This consists of operational property, property held for an investment purpose, and property held for specific community, service or regeneration purposes. The Council has specific reasons for owning or otherwise having access to the following types of property:
- Operational – supporting core business and service delivery
  - Investment – to provide a financial and other returns to the Council
  - Community – to support specific local community projects
  - Regeneration – enabling strategic place shaping and economic growth
- 6.2 The Council manages and operates its property in accordance with the Corporate Plan, Capital Strategy Constitution and Financial Regulations. All officer groups involved in managing property use terms of reference utilising these principles and corporate objectives. These groups all incorporate officers from the property, finance and legal teams. Asset management work on the operational estate is focused on having the right property for the organisation, fit for purpose, suitable and sufficient for service delivery.
- 6.3 This approach to property strategy provides a long-term strategic management of the Council's estate. It aims to maximise operational, commercial and social returns by re-

aligning the property assets, ensuring they act as a catalyst for development and inclusive economic growth and underpin the social fabric of communities across the Warrington.

- 6.4 The Council also has a track record of acquiring significant assets on the basis of future regeneration projects or to secure strategic options. It is recognised that the acquisition of new assets could gain or lose value in the intervening period. However, the overarching aim of the Council is to release the value in the asset once the regeneration has been completed, and such benefits may be wider than financial considerations.
- 6.5 The Council will assess ESG and Climate Change factors when investing in or reviewing property and other fixed assets.
- 6.6 The Council has set up a number of senior officer groups that aim to provide assurance to Cabinet by embedding strategic asset management activity as a corporate activity. This covers activities such as property asset management, property commercial investment, housing delivery, school organisation, planning transport and solar farms.
- 6.7 Regular reviews of the property portfolio are carried out by the estates team to maximise the Council's operational benefit and identify property which could potentially be disposed of. In line with best practice, Cabinet will consider development of plans for highways and other infrastructure assets during 2025/26 and updates on property asset management plans already developed. The Council's approach to asset management and stewardship of assets will be supported by targeted internal and external reviews to assess the effectiveness of asset management practices including governance, risk management and control.

### **Commercial Risk Reserve**

- 6.8 The Council makes a contribution each year from surpluses it makes on its investments into several risk reserves. These reserves will be used to offset any losses if any of the investments run into difficulties. At 31 January 2025 these reserves stood at £6.25m.

### **Building Asset Maintenance Programme**

- 6.9 The Council stopped collecting annual data on the property portfolio to assess building condition and backlog maintenance due to revenue cuts in 2011/12. However, the Council retains an annual building maintenance programme of revenue funding. This is one budget covering both response repairs and specific statutory compliance. The building maintenance programme currently funds only reactive works (fixing things when they go wrong) and statutory & good practice "servicing" (for compliance and to extend the useful life of serviceable assets respectively).
- 6.10 The Council is taking a prudent and pro-active approach to building maintenance evidenced through a significant increase in the building maintenance budget for 2025-26. This reflects an identified need to allocated funding commensurate with the condition of the estate. Alongside this, the Council is following a robust asset management property review to rationalize operational property holdings through service reviews and building closures where appropriate.

### Building Maintenance Programme Revenue Funding 2025-28:

- 6.11 The Council's Building Maintenance Programme (BMP) has in recent years been an annually revised programme of typically around £1.2 million per year. It is primarily directed at operational buildings (excluding housing and commercial investment property where the lease makes the tenant liable for maintenance) and excludes ring fenced funding. As in sect 6.10 above, this is now due to increase significantly as set out in the table below. The BMP is structured to fund the following scope of work with approximate allocations of funding typically:

|                                                                   | Servicing and Statutory 2025-2028                                                                        | Response Repairs 2025-2028                                                                         | Total               |
|-------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------|---------------------|
| Operational business portfolio (referred to as "civic buildings") | £2,000,000                                                                                               | £2,181,000                                                                                         | £4,181,000 per year |
| <b>SPECIFICALLY EXCLUDED FROM THE REVENUE BMP</b>                 |                                                                                                          |                                                                                                    |                     |
| Culture Warrington                                                | Funded by Culture Warrington<br>Clients select site specific statutory servicing work on an annual basis | Funded by Culture Warrington / WBC based on a Division of Responsibility Agreement under the Lease |                     |
| Catalyst                                                          | Funded by Catalyst Clients select site specific statutory servicing work on an annual basis              | Funded by Catalyst                                                                                 |                     |
| Academies                                                         | Funded by Academies<br>Clients select site specific statutory servicing work on an annual basis          | Funded by Academies                                                                                |                     |
| Schools' portfolio                                                | Funded by locally held school budgets                                                                    | Funded by locally held school budgets                                                              |                     |

### Building Maintenance Programme Capital Funding 2025-28:

- 6.12 Allocations of capital to invest in and improve the operational business portfolio (civic buildings) is prioritised through the corporate Capital Investment Planning Group (CIPG). Bids and applications are made through a directorate process to approval at CIPG and then Cabinet.
- 6.13 It is important to note that the Capital Maintenance budget is not a planned programme. The individual projects that make up the sum total below are borne of reactions to instances of component failure (e.g. boilers) or end of life material impact on business continuity (e.g. roof leaks). In other words, when something fails, a bid is submitted to CIPG. There are no condition surveys informing a planned approach to capital maintenance.
- 6.14 The schools that remain under jurisdiction of the local authority and not academy programme, are separately funded with current figures as shown below. Colleagues in Families & Wellbeing

also hold a central community schools maintenance budget which is separate and additional to the locally held community schools' maintenance budgets.

6.15 The capital programme of spend on buildings is currently estimated as follows:

|                                | Capital Improvement<br>2025-2028 | Total      |
|--------------------------------|----------------------------------|------------|
| Operational business portfolio | £1,600,000                       | £1,600,000 |
| Schools' portfolio             | £2,120,000                       | £2,120,000 |
| Total                          |                                  | £3,720,000 |

### **Match funding opportunities.**

The Council will seek match funding opportunities where an Invest to Save can be proven due to the high borrowing costs of the Councils match funding. During 2025 there will be limited opportunities to apply for match funding as the government moves away from current competitive bidding process for such funding.

### **Property Disposal Capital Receipts**

6.16 Traditionally local authorities have maintained a property review and disposal programme to rationalise property holdings and raise capital. This traditional approach has changed significantly in recent years for many Councils. Warrington reflects this national trend.

6.17 In Warrington, property review and disposal programmes from 2006 onwards identified surplus or under used property. Our property disposal programme has resulted in capital receipts exceeding £14 million. This also enabled revenue savings (from the costs associated with empty or underused property) of around £1.5 million per year.

6.18 Important note: despite the property rationalisation programme, the cost of maintaining the retained civic building stock is increasing and this is identified resulting in the increased base budget for building maintenance. This is due to:

- The worsening (wear and tear) condition of the buildings
- The increasing cost of materials and labour
- The absence of a planned programme of capital investment
- New, more demanding and ever-changing legislation relating to statutory compliance in buildings

6.19 This process of review and disposal continues. However, the disposal element is now much more focused on revenue rather than capital in line with financial requirements.

6.20 Any surplus properties are prioritised to be used to generate revenue wherever possible. This can be done in a number of ways. For example, rather than a freehold disposal, if there is an opportunity to improve Council services and generate revenue, this may be considered better

value for the Council. This also means the Council retains ownership of the asset, ultimate control and long terms benefit for the town. All such decisions are ultimately taken by Cabinet or delegated to the Cabinet Member - Finance, Assets & Investments in line with the Constitution and appropriate audit and governance structure.

- 6.21 Based on recent years, future capital receipts (proceeds from property sales) will be formed around residential leasehold disposals (typically less than £1,000 each) and occasional windfalls from property where disposal is enabling of regeneration or last resort.

|                           | Capital Receipt Forecast<br>2025-2028 | Total       |
|---------------------------|---------------------------------------|-------------|
| Property Disposal General | £6,250,000                            | £6,250,000  |
| Other Receipts            | £4,590,000                            | £4,590,000  |
| Total                     |                                       | £10,840,000 |

## 7. GOVERNANCE FRAMEWORK

- 7.1 The wide range of matters to be demonstrated by the Capital Strategy are inextricably linked with the Council's Governance framework, whereby the following processes are in place:

- The Capital Strategy is presented annually alongside the Medium Term Financial Plan at Full Council for approval
- In year, the Capital Programme is monitored and reported to the Senior Leadership Team and then to Cabinet on a quarterly basis, as part of the Council's monitoring process
- All schemes and the overall Capital Programme are subject to approval by the Strategic Leadership Team and Cabinet
- Portfolio holders are assigned projects in line with their responsibilities
- A senior officer group the Capital Investment Planning Group (CIPG), chaired by the Chief Executive, monitors the delivery of the capital programme on an ongoing basis. The Group is a cross-departmental group consisting of officers from each service department, finance, property and procurement. CIPG oversees the development and delivery of the Council's Capital Programme.
- Directorate Departmental Management Teams must agree all deletions and additions to their directorate capital programme before they go to CIPG. Each departmental Management have a Capital Group that meets to review the Capital Programme on a monthly basis
- The Capital Programme is guided by the Council's Capitalisation Policy and Financial Procedure Rules of the Council
- The Capital Programme is subject to Internal and External Audit Review
- Scrutiny Committee can call in Cabinet Reports
- A stringent governance system is in place for commercial schemes
- The Capital Programme is integrated into the Council's risk management system

- 7.2 Governance arrangements, including risk management are reviewed annually to ensure that it remains fit for purpose and is in line with best practice.

## **8. COMMERCIAL ACTIVITY – NON-TREASURY INVESTMENTS**

- 8.1 The Council has a strong reputation throughout Local Government for its commercial approach to service delivery and has also advised other authorities in this this area. In 2017 the Council was also used as a case study in the Local Government Association (LGA Publication) “Enterprising Councils: Supporting Councils Income Generation Activity”.
- 8.2 Most of this commercial activity will fall within what statutory Guidance and CIPFA refer to as “non-financial investments”. These investments are also likely to have the effect of increasing the extent of external borrowing, requiring regard to be had to the Prudential Code (the Code).
- 8.3 The Council has a strong governance framework that goes beyond the regulatory codes. It has a consultative Treasury Advisory Panel (TAP) in addition to the common local government audit and corporate governance committees.
- 8.4 Due diligence is of paramount importance. All commercial investments (property acquisitions, loans, solar farms etc.) have individual business cases that are subject to thorough risk assessment and stress testing, together with stress testing the whole investment portfolio to ensure all risks are captured and properly controlled. Where appropriate to the size and scale of a transaction, the Council also commissions independent technical and legal reviews.
- 8.5 Project Groups are set up for all commercial schemes and on-going performance monitoring takes place after the scheme is completed and is reported to members and senior officers on an ongoing basis.
- 8.6 Financial and social audits are carried out during the life cycle of investments.
- 8.7 The Council follows a prudent approach to governance of commercial activities. It ensures that all commercial schemes are fully aligned with priority outcomes.
- 8.8 Innovative schemes form part of the Outcomes Based MTFP planning process. They are subject to audit and assurance, stakeholder engagement and ongoing performance monitoring.
- 8.9 The Council will comply with paragraph 51 of the Prudential Code in relation to investments for commercial purposes, in particular the requirement that an authority must not borrow to invest primarily for financial return.

### **COMMERCIAL ACTIVITY GOVERNANCE**

- 8.10 Due to the nature and associated risks of the Council’s Commercial Programme (comprising both property acquisitions, solar farm development and loans to other persons/bodies) the Council have an increased Governance Framework for individual transactions. Whilst all Commercial Schemes follow a common governance process with all other capital schemes, their higher risk profile necessitates a more stringent governance procedure being followed. Appendix C to this report outlines the governance process for commercial schemes.



- 8.11 During 2020/21 the Council commissioned Price Waterhouse Coopers (PwC) to carry out an independent review of the Council's Commercial Governance processes. PwC concluded:

***“A framework for governance is in place and the strategic direction of the Council is clearly defined and understood by members and officers.” (PwC Governance Review October 2020)***

- 8.13 The recommendations of the Legal Services Review of Council Company Governance will implement further recommendations in 2025-26.

## **9. RISK APPETITE STATEMENT 2025**

- 9.1 This Statement outlines the Council's risk appetite with regard to its investment and commercial activities.
- 9.2 The Statement adopts the Orange Book (UK government publication on the strategic management of risk within Government) definition of risk appetite, namely “the amount of risk that an organisation is prepared to accept, tolerate, or be exposed to at any point in time.” It is important to note that risk will always exist in some measure and cannot be removed in its entirety. Additionally, in order to realise investment and commercial gains, it is unavoidable for some measure of risk to exist. Therefore, risks need to be considered both in terms of potential threats to the Council and positive opportunities. It is worth noting that the Governments Public Accounts Committee supports well-managed risk taking across government, recognising that innovation and opportunities to improve public services requires risk taking, providing that the ability, skills, knowledge and training to manage those risks well exist within the organisation or can be brought to bear.
- 9.3 The Council's Risk Appetite Statement sets out how it balances risk and return in pursuit of achieving its objectives, all through the lens of prudence. It is intended to aid careful decision-making, such that the Council takes risks fully into account when pursuing successful delivery of its services and obligations, while also understanding any adverse aspects of risk undertaken. Appropriate measures to mitigate risk is taken in line with stated goals. Thereby, the Council's risk judgements are more explicit, transparent and consistent over time, with a focus on prudent assessment and management throughout.
- 9.4 The Risk Appetite Statement forms a key element of the Council's governance and reporting framework and is determined by Full Council. The Statement is agreed annually by Full Council. In addition, the risk appetite will be considered annually and monitored on an ongoing basis by senior management, external risk advisors, the Corporate Governance Group and the Audit & Corporate Governance Committee, as appropriate.
- 9.5 The climate emergency and ESG (Environmental, Social and Governance) more generally are a key focus of emerging risk for the Council. The Council's officers recognise that besides financial risks, there are other risks of material importance from an ESG perspective, which

could have long-term consequences for the Council's exposures and therefore, should be integrated into any prudent assessment to provide a holistic view of the Council's risk profile. It is important, therefore, to assess these risks as well and to understand if these create potential longer-term financial and reputational risks for the Council, and if there are any commonalities with the Council's key objectives in this regard.

- 9.6 Given the above considerations and the Council's growing focus on responsible investment, the Council has integrated ESG risks into its risk appetite statement. The Council will use information sources and its advisors as appropriate to assist it in scrutinising and understanding these risks as they relate to its investments, both as part of due diligence where appropriate and over time, as part of the ongoing monitoring and management of these investments.

### **Relationship to Other Aspects of Risk Management**

- 9.7 It is important to note that the Council's risk appetite represents a high-level view on the key areas of risk and the qualitative quantum that the Council is willing to accept in pursuit of its objectives. In this respect, it is different to other key aspects of risk management, primarily:

- The risk universe – a detailed list of all the potential risks the Council is exposed to.
- Risk capacity – the maximum level of risk the Council can run given its reserves, revenues, and access to funding, liquidity, regulatory and legal constraints, and any other restrictions.
- Risk tolerance – the maximum amount and type of risk that the Council is willing to tolerate on a prudent assessment.

- 9.8 The latter two are usually quantified and given as a series of limits and analyses.

- 9.9 The Council's risk appetite is also supported by the following:

- Its risk management framework
- The governance structure and responsibilities
- Risk reporting
- Monitoring and escalation procedures
- The Council's approach to assessing and managing ESG related risks

- 9.10 It should be noted that aspects of these will be bespoke to individual areas where risk is undertaken, e.g. the treasury portfolio, loans made, housing etc.

### **Risk Appetite**

- 9.11 In general, the Council's risk appetite is expressed through its tolerance to risk in respect of capital preservation, meaningful liquidity, income volatility and ESG profile. The Council seeks to minimise its exposure to risks that are unwanted and unrewarded. Resources are managed centrally on an ongoing basis to ensure that there is sufficient liquidity in the short and medium term to meet costs and support front line services, as well as meeting long-

term solvency and funding requirements.

9.12 The Council capital and investment plans are exposed to a range of risks:

- **Financial risks** related to the investment of the Council's assets and cash flow, market volatility, currency etc.
- **Macroeconomic risks** related to the growth or decline of the local economy, interest rates, inflation and to a lesser degree, the wider national and global economy amongst others. Within these, as the pandemic and other recent events have shown, it is also important to consider extreme tail risk scenarios that could have significant knock-on impacts for the economy, financial markets and the Council's own exposures.
- **Credit and counterparty risks** related to investments, loans to institutions and individuals and counterparties in business transactions.
- **Operational risks** related to operational exposures within its organisation, its counterparties, partners and commercial interests.
- **Strategic risks** related to key initiatives undertaken by the Council such as significant purchases, new ventures, commercial interests and other areas of organisational change deemed necessary to help the Council meet its goals.
- **Reputational risks** related to the Council's dealings and interests, and the impact of adverse outcomes on the Council's reputation and public perception.
- **Environmental and social risks** related to the environmental and social impact of the Council's strategy and interests.
- **Governance risks** related to ensuring that prudence and careful consideration sit at the heart of the Council's decision-making, augmented by quality independent advice and appropriate checks and balances that balance oversight and efficiency.

9.13 Managing the Council's risks is an area of significant focus for senior management and members, and the Council adopts an integrated view to the management and qualitative assessment of risk.

9.14 The Council aims to minimise its exposure to unwanted risks – those risks that are not actively sought and which carry no commensurate reward for the Council – through a range of mitigation strategies to the extent that it is cost-effective to do so. Specifically, the Council has no appetite for reputational risk and governance risk.

9.15 For other risks, the Council's appetite is as follows:

| Risk                     | Appetite                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
|--------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Financial                | Moderate appetite for a range of asset classes, property and longer-term investments, subject to careful due diligence and an emphasis on security as well as matching with the Council's required liquidity profile as well as its key policy and ESG objectives where possible. Low appetite for capital growth-oriented investments versus income generating investments. Low appetite for emerging markets and high volatility investments.                                                                    |
| Macroeconomic            | High appetite for exposure to local economic growth. Moderate appetite for exposure to national and global growth. Low appetite for interest rate risk, and inflation risk. No appetite for geopolitical risks and tail risk events.                                                                                                                                                                                                                                                                               |
| Credit and counterparty  | High appetite for investment grade or secured credit risk, as well as exposure to highly rated counterparties and financial institutions with strong balance sheets. Medium / Low appetite for unsecured debt. All subject to careful due diligence and an assessment of the transaction versus the Council's resources, capacity, funding needs, broader goals and cash flow requirements.                                                                                                                        |
| Operational              | Low appetite for BAU (Business as Usual) operational risks such as pricing errors, errors in administration, IT, cybersecurity etc. The Council maintains Risk Registers for key initiatives and significant investments to assess and mitigate specific risks on a more granular level. Business continuity plans have also been established to mitigate external occurrences. No appetite for fraud, regulatory breaches and exceeding risk tolerances.                                                          |
| Strategic                | High appetite for strategic initiatives, where there is the ability to deliver the Council's statutory duties more effectively and efficiently or a direct gain to the Council's revenues alongside the delivery of its duties.                                                                                                                                                                                                                                                                                    |
| Environmental and Social | No appetite for environmentally negative risks. Low appetite for social risks, especially in the local region. Always subject to full due diligence and subsequent monitoring of risks and key appropriate metrics.                                                                                                                                                                                                                                                                                                |
| Governance               | No appetite for investments and initiatives that are not accompanied by careful due diligence and an assessment of the transaction versus the Council's resources, capacity, funding needs, cashflow requirements, ESG risk preferences and broader goals. All subject to ongoing monitoring of risks and key relevant metrics to manage the Council's exposure and respond to any emerging risks. Depth and frequency of monitoring should be proportional to the complexity and capital at risk for the Council. |

## **Relationship with other processes**

- 9.16 Risk management is not a stand-alone discipline. In order to maximise risk management benefits and opportunities, it is integrated with existing business processes.
- 9.17 Some of the key business processes with which risk alignment exists are:
- Capital Strategy
  - Medium Term Financial Plan
  - Internal Audit
  - Business Planning (including budget)
  - Performance Management
  - Treasury Management
  - Council owned subsidiaries and joint ventures
  - External Audit Review
  - Credit Rating
- 9.18 The Council will maintain a credit rating during 2025-26 the rating being provided by S&P (Standard & Poors) credit rating agency.
- 9.19 For large complex projects, professional external advice and services would be sourced to undertake due diligence to understand risks and inform decision making. Capital investment to be undertaken can be broadly split into [two] types:
1. Expenditure on existing assets to ensure they meet the requirements of service delivery, are fit for purpose, meet health and safety guidance, and reduce future costs.
  2. Expenditure on specific projects or non-treasury investments to meet strategic aims.
- 9.20 Non treasury investment to meet service or Council obligations could include loans or equity towards capital expenditure incurred by external bodies, Council subsidiaries or joint ventures. In respect of 1 and 2, the Council recognises that achieving these aims will require consideration of alternative delivery structures and of all forms of funding including additional borrowing. Financial austerity and economic turmoil have had a significant impact on affordability, however taking the town forward is not just a consideration of how we manage decline. Capital investment funded by borrowing will be undertaken in priority areas to meet Regeneration Ambition, whilst at all times clearly understanding how the affordability of such expenditure can be managed over the longer term supported by robust due diligence, business cases, risk management and monitoring.
- 9.21 Non treasury investment funded by additional borrowing would only be undertaken after:
- Cabinet approval of a robust business case supported by independent advice
  - Consideration of the legal basis on which the expenditure is being incurred
  - Affordability and risk assessment of such expenditure over the longer term

The Council's Capital Investment Governance structure aims to provide assurance to Cabinet by reviewing business cases in respect of Capital schemes.

9.22 The Council's Capital Investments inherently carry risk, most of which is outside the Council's control. The Council's planning and governance processes have been developed in such a way as to mitigate these risks. The table below sets out these risks and mitigations:

| Risk                        | Mitigation                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
|-----------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Interest Rate               | The Council's capital portfolio is heavily dependent on borrowing and is therefore exposed to fluctuations in interest rates. Interest rates are variable, and a rise would push future capital programme costs up. The Council has used prudent interest estimates in order to mitigate the risk. The Council borrowed long term when interest rates were low currently generating large PWLB premiums.                                                                                                                                                                                                                                   |
| Inflation                   | Capital delivery costs are vulnerable to inflation. In costing the capital portfolio, therefore, a level of contingency has been built into each scheme to mitigate this risk, as well as negotiating fixed price contracts wherever possible.<br><br>Close monitoring of the portfolio through the governance processes will lead to early highlighting and mitigation of further risks.                                                                                                                                                                                                                                                  |
| Legislative                 | Changes in statute and regulations will impact capital projects, as they must comply with current legislation.<br><br>As mitigation, the Council must horizon scan and remain aware of any changes in the pipeline which might affect projects and make amendments accordingly through proper governance channels.                                                                                                                                                                                                                                                                                                                         |
| Market                      | The portfolio is complex, and the successful delivery of various aspects depends to a large extent on the commercial environment. Examples are property related income, capital receipts and future health of the property market. Assumptions are made which underpin projections. The Council relies on expert advice to mitigate this risk.                                                                                                                                                                                                                                                                                             |
| Transfer                    | Increasingly, major projects are not delivered by the Council itself, but by developers – either alone or jointly with the Council or its delivery subsidiary. Whilst using a developer transfers risk away from the Council, this means extra costs and therefore a careful balance is required. Risks associated with newly incorporated subsidiaries will decrease with time as they gain experience.                                                                                                                                                                                                                                   |
| Risk Based Analysis on MTFP | Focused scenario planning will take place in 2025-26 of the positive and negative impacts on the MTFP. Using independent external third-party advice to maximise objectivity.                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
| Project delivery            | In the main, these are unforeseen delays and increases in costs. Apart from building in contingencies there is a range of measures that can mitigate the risks.<br><br>Effective scrutiny of business cases at the outset will ensure robustness of projects included in the portfolio. During the life of the project, risks are monitored with risk registers being properly maintained and updated. Regular highlight reporting keeps key stakeholders informed to allow early intervention where necessary. In the case of complex major projects, professional experts are used at all necessary stages to ensure effective delivery. |
| Portfolio delivery capacity | The investment portfolio set out in this Capital Strategy totals over £1.7bn. A priority is to ensure sufficient project delivery expertise, enabling support and supply chain capacity is available to deliver the Council's investment portfolio outcomes, on time and to agreed costs.<br><br>The Council will continue its existing arrangements which mean senior responsible officers and                                                                                                                                                                                                                                            |

|                                  |                                                                                                                                                                                                                                                                                                                                                    |
|----------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                                  | dedicated project delivery resources are allocated to key investment programmes and projects. Appropriate resource plans are developed to provide sufficient enabling expertise. Supply chain capacity will primarily be managed at the project and programme level – with residual risks escalated through the Council's governance as necessary. |
| Board Level Governance           | Nationally many Council companies fail because they failed to have adequate skilled board representation. During 2022/23 a review of the Governance arrangements of the Council was carried out by legal services. The recommendations of that review to strengthen Board Governance will continue to be implemented during 2025-26                |
| Officer Capacity                 | Succession planning in operation on all major project groups. Consultancy used. Audit review and outside agency review reports will review capacity. Appropriate action will be taken to increase capacity if needed.                                                                                                                              |
| Impairments                      | Scenario modelling takes place when carrying out business cases. IFRS9 over-ride is in place for treasury management assets. Annual Impairment reviews take place as part of the closure of accounts process. Impairments only charged to the revenue account at the point of sale.                                                                |
| Taxonomy of investment portfolio | Kept under review with attempts to be best in class. Audit recommendations and review agency recommendations will be implemented. A corporate dashboard developed in 2024/25 will be subject to continued refinement during 2025-26.                                                                                                               |
| Reputational                     | The Council due to have an ambitious capital programme and a large amount of secured debt often are often subject to incorrect articles by the press and pressure groups particularly in contrast to other failing authorities. The Council's Communications team will respond in a professional way.                                              |

## 10. OTHER LONG-TERM LIABILITIES

### Pension Guarantees

- 10.1 The Council has entered into a number of long-term contracts for services that have been outsourced to service providers. These often involve the transfer of Council employees to the new service provider. Employee's rights are protected under the provision in Transfer of Undertakings (Protection of Employment) Regulations 2006 (TUPE). However, pension rights are not fully covered within TUPE regulations. The Council have thus given pension guarantees to the following organisations, Livewire, Culture Warrington, Catalyst, Lafarge and Your Housing Group. This guarantee means that if an admitted body fails to pay its pension obligations, then the Council will be responsible for taking on those obligations.
- 10.2 All guarantees entered into need the approval of the Cabinet. The guarantees are reviewed annually as part of the closure of accounts process. The pension balance is assessed on an annual basis by the Cheshire Pension fund and is subject to change due to the underlying assets. This is rebalanced on a three-year basis, formerly known as a triennial review.
- 10.3 The table below shows the pension position as at 31st December 2024 for all of the companies the Council guarantees. All five companies guaranteed are in a surplus position.

| Employer Name             | Surplus/<br>Deficit<br>£m | Funding<br>Level<br>% |
|---------------------------|---------------------------|-----------------------|
| Catalyst Choices          | 10.000                    | 167                   |
| Tarmac Trading Ltd        | 0.560                     | 172                   |
| LiveWire                  | 16.000                    | 207                   |
| Warrington Cultural Trust | 3.640                     | 251                   |
| Your Housing              | 0.354                     | 193                   |

## **11. KNOWLEDGE AND SKILLS**

- 11.1 The Council has professionally qualified staff across a range of disciplines including finance, legal and property that follow continuous professional development (CPD) and attend courses on an ongoing basis to keep abreast of new developments and skills. The Council's Section 151 Officer is the officer with overall responsibility for Capital and Treasury activities. He too is a professionally qualified accountant and follows an ongoing CPD programme.
- 11.2 All the Council's commercial projects have project teams from all the professional disciplines from across the Council and when required external professional advice is taken. These teams consist of Officers with many years' experiences of commercial schemes. Succession Planning is also in operation with Junior Officers shadowing and being involved in all stages of the commercial programme. External consultancy expertise is bought in when it does not exist across the Council.
- 11.3 Internal and external training is offered to members on an annual basis to ensure they have up to date skills to make capital and treasury decisions. A register is also kept on member attendance. The Council also involves members at a very early stage of a project's life cycle.
- 11.4 The knowledge and skills of officers and members are commensurate with the Council's risk appetite.
- 11.5 The risk associated with the strategy is covered by the Council Risk Appetite Statement above.

## **12. TREASURY MANAGEMENT**

- 12.1 The Council also produces a Treasury Management Strategy which is approved by Full Council annually as part of the budget setting process.
- 12.2 There are close links between the Capital Strategy and Treasury Management Strategy. The capital programme determines the borrowing need of the Council, essentially the longer-term cash flow planning, to ensure that the Council can meet its capital investment obligations. This management of longer-term cash may involve arranging long or short-term loans, or longer-term cash flow surpluses. On occasion, any borrowing previously drawn may be restructured to meet Council risk or cost objectives. The Treasury Management



Strategy also takes into account both financial risks, such as credit risk and counterparty risk, as well as non-financial risks, such as climate risk.

- 12.3 At the end of 2027/2028 it is forecast that the Council's external borrowing will be £1.811bn. Over the next three years borrowing is forecast to increase by £223.4m to fund the capital programme. The bulk of this additional borrowing is to fund the Invest to Save Programme which incorporates £116m is for possible secured draw downs on Housing Association loans, these amounts may or may not be drawn down. The Council have operated a successful secured loans programme since 2009, and no loan as ever got into difficulty. The remaining difference of a £107m largely in relation to Highway schemes.
- 12.4 The Council's Authorised Borrowing limit for 2026/27 which is £2.508bn represents a limit beyond which external debt is prohibited, and this limit needs to be set or revised by the Full Council.
- 12.5 The Council's Operational Boundary debt forecast for 2026/27 is £2.290bn. This represents the limit beyond which external debt is not normally expected to exceed.
- 12.6 The Council makes provision for the repayment of its capital debt liability over the life of the asset that can be nominally assessed as having caused the capital debt level to increase. The bulk of Council debt liability is linked to the Invest to Save Programme, which generates a financial return to the Council above the borrowing cost. Most transactions are asset backed.
- 12.7 The Council complies with the requirements of The Local Government Act 2003 (the Act) and supporting regulations in managing its Treasury Management activities.
- 12.8 The Audit & Corporate Governance Committee are the body responsible for the Governance of Treasury Management within the Council. They recommend an annual Treasury Management Strategy to Council for approval as part of the annual approval of the budget. They also receive a Mid-year Review Report and an Outturn report which is also reported to Full Council. Together with quarterly monitoring reports.
- 12.9 Once a year the Audit & Corporate Governance Committee receive a Treasury Management Practices Report which sets out in detail the Governance and Responsibilities of Treasury Management and the responsibilities of all those who are involved in the process.
- 12.10 The Council also employ MUFG Corporate Markets as its Treasury Management Advisors. Other specialist advice is taken on an ad/hoc basis driven by using organisations with the best experience linked to a particular project.
- 12.11 Treasury Management is also subject to regular Internal and External Audit Review.

## **Loans**

- 12.12 The Council make loans for a number of reasons, primarily economic development and

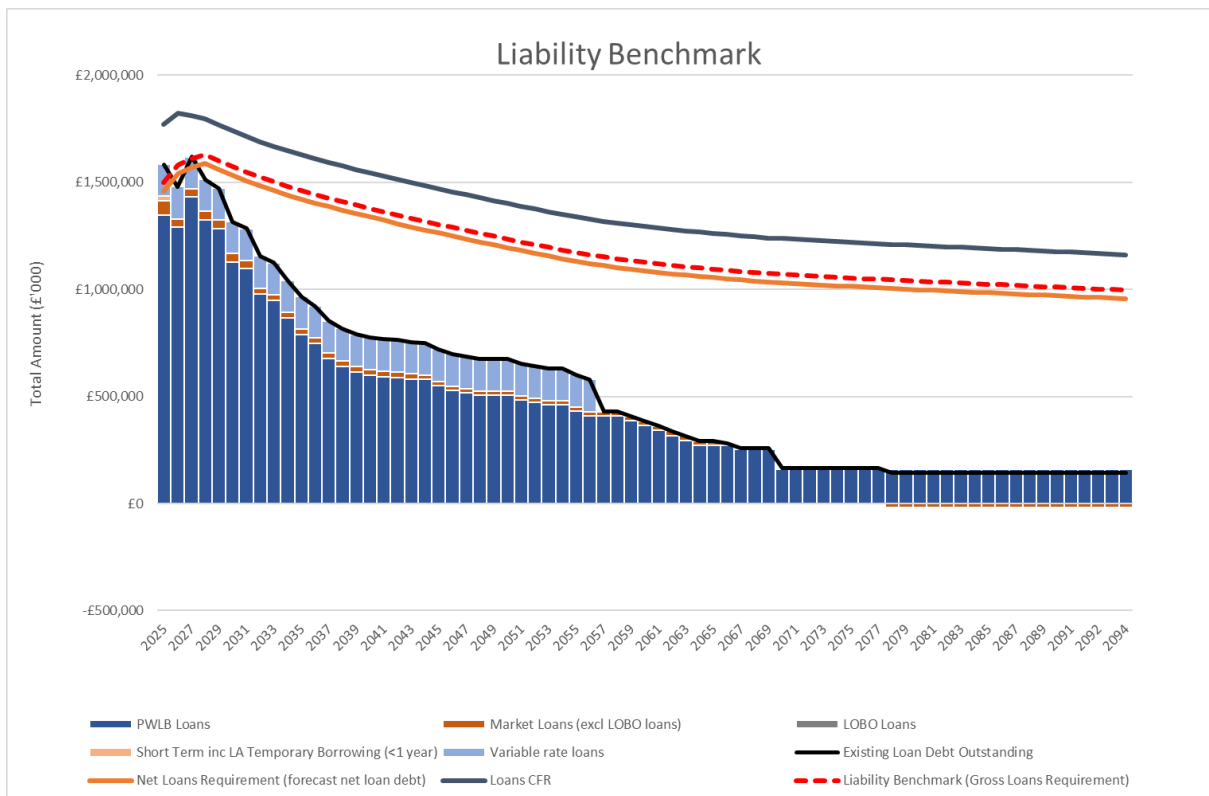
investment objectives. The Council have been successfully giving secure loans for regeneration and housing purposes since 2009. At 31 December 2024 the Council have given loans to 13 Housing Associations totalling £247.04m and 7 regeneration loans totalling £132.68m

12.13 The Council in making these loans ensure they are prudent and secured by:

- Carrying out a full independent due diligence exercise
- Using an expected loss model to assess the impact on the balance budget requirement if the loan was at risk
- On-going monitoring of the loans
- Ensuring adequate security is in place
- All loans are agreed by the Council's Cabinet

12.14 The Prudential Code (2021 Edition) recommends the production of a liability benchmark which is shown in the graph below. The liability benchmark is the level of expected external borrowing given current projections for capital investment up to year 2026/27. The projected borrowing levels show what the Council expects it level to be. Where the aggregate borrowing level is below the benchmark, the Council will be in an under-borrowed position, and when it is above it will be over-borrowed. This makes assumptions regarding repayment dates, and this can be used as a tool for scheduling future borrowing requirements.

### Liability Benchmark



- 12.15 The liability benchmark is the level of expected debt given current projections for capital expenditure up to year 2027/28. The projected debt levels show what the Council expects its debt level to be. Where the debt level is below the benchmark, the Council will be in an under-borrowed position, and when it is above it will be over-borrowed.
- 12.16 In the graph above it shows a slightly over-borrowed position for the current period – this is mainly due to slippage in the capital programme and a high level of cash from redeeming borrowing.
- 12.17 This makes assumptions regarding repayment dates, and this can be used as a tool for scheduling future borrowing requirements.
- 12.18 The bars represent the maturity profile of current loans and the white space between the existing loans and the Net loan requirement is the borrowing requirement for future years.

### **13. AFFORDABILITY**

- 13.1 It is recognised that the Council cannot afford to do everything, however where revenue resources are deemed available to increase the level of Council borrowing, where it needs to do so, this will be considered.
- 13.2 The percentage of the Council's revenue budget that is committed to capital financing costs is increasing in the long term. Given the pressure on revenue budgets, this clearly limits the affordability for additional borrowing in future years and must be a factor considered by members when determining the Capital Programme. Together with the collateral being invested in and the key outcomes.

### **14. PREVAILING GUIDANCE**

- 14.1 In applying the Capital Strategy the Council must have regard to all relevant guidance. In particular where a proposal involves investment pursuant to s.12 LGA 2003, or borrowing pursuant to s.1 LGA 2003, then in compliance with s.15 LGA 2003, the Council is under a specific duty to have regard to guidance issued by the Secretary of State and other guidance as may be specified.

### **15. PROPORTIONALITY**

- 15.1 The below table shows the proportion of the Council's budget that is funded from Commercial Income over the MTFP period. A full assessment of the risks and opportunities of commercial income schemes is incorporated into Cabinet business cases when the schemes are approved. The risks are also assessed on an on-going basis via the Council's risk management framework.

|                                                | 23/24   | 24/25   | 25/26   | 26/27   | 27/28   | 28/29   |
|------------------------------------------------|---------|---------|---------|---------|---------|---------|
| <b>Commercial Income in Base Budget (£000)</b> | 16,914  | 18,121  | 23,121  | 23,121  | 23,121  | 23,121  |
| <b>Base Budget (£000)</b>                      | 183,009 | 194,292 | 208,045 | 217,460 | 225,203 | 229,246 |
| <b>% of Base Budget</b>                        | 9.24%   | 9.33%   | 11.11%  | 10.63%  | 10.27%  | 10.09%  |

- 15.2 Although this Capital Strategy looks forward, it is worth noting the significant level of investment activity that the Council has already undertaken. The Council's Non-Treasury Management Investments (policy, commercial investment & capital loans) is summarised in the table below as at 31.12.2023:

| <b>Non-Treasury Investments<br/>Counter Party</b> | <b>Balance<br/>31/12/2023<br/>£</b> |
|---------------------------------------------------|-------------------------------------|
| Warrington Sports Holding Ltd                     | 1,331,375                           |
| Municipal Bond Agency                             | 200,000                             |
| Warrington Borough Transport Shares               | 3,388,000                           |
| Redwood Bank                                      | 6,681,220                           |
| Joint Venture with Wire Regeneration              | 3,789,971                           |
| York Solar Farm                                   | 644,438                             |
| Housing Company                                   | 17,000,000                          |
| Technology Enhanced Operations                    | 1,000,000                           |
| <b>Total Investments in Group Entities</b>        | <b>34,035,003</b>                   |
| Loans to Housing Associations & Commercial Loans  | 489,878,697                         |
| Purchase of Investment Properties                 | 710,124,617                         |
| <b>Total of Non-Treasury Investment</b>           | <b>1,200,003,314</b>                |

- 15.3 The Council's secured Non-Treasury Management Investments make a positive financial return to the Council whilst delivering policy objectives. The prudential indicator published in the Treasury Management Strategy, Net income from commercial and service investments as a percentage of the net revenue stream, highlights this.
- 15.4 The Non-financial aspects of the investment portfolio support the wider aspirations of the Council in the following areas:

- Social Impact - all yield / profit is re-invested in front line services
- Improves wellbeing of the residents of Warrington
- Improves Gross Value Added of the borough
- Regeneration
- Economic benefit / business rate growth
- Responding to market failure
- Mitigating environmental risk, notably climate risk
- Environmental Social and Governance (ESG) impact

- Value for Money
- Delivery of United Nations Policy (Green Energy Programme)
- Asset Backed Security

15.5 Non treasury investment funded by additional borrowing would only be undertaken after:

- Cabinet approval of a robust business case supported by independent advice
- Consideration of the legal basis on which the expenditure is being incurred
- Affordability and risk assessment of such expenditure over the longer term
- Ongoing governance arrangements are put in place

15.6 Whilst the Non-Treasury Investment portfolio is funded by borrowing it is secured on assets that could be sold to pay down the debt. The Council also pay MRP on the debt and when the debt is paid off the Council will own the assets. With regards to the Council's property portfolio, the Council took advantage of previously low interest rates to purchase high value strategic property assets that would be un-affordable now and in the future due to a high-interest rate environment. The properties have the characteristics of stable income streams with rents linked to inflation increases. They performed well during and after Covid 19 and during the recent economic turmoil. Property investments by their very nature are seen as a medium / long-term investment. Fluctuations in value and income generation can be expected over their lifespan. The Council have funded its Non-treasury Investments by prudently locking into long term loans when interest rates were low. This prudent borrowing policy as resulted in the loan portfolio generating PWLB discounts to the Council in the region of £250m (subject to gilt movements). The table below shows a summary of the Council's borrowing and investment position at 31<sup>st</sup> December 2024. The table shows that if the secured non-treasury investments are sold the forecast indicative borrowing level for the Council would be £351.2m.

| <b>Council Treasury Portfolio</b>         | <b>Balance<br/>31 March 2024<br/>£m</b> | <b>Balance<br/>31 December 2024<br/>£m</b> | <b>Movement<br/>in period<br/>£m</b> |
|-------------------------------------------|-----------------------------------------|--------------------------------------------|--------------------------------------|
| <b>Council Debt</b>                       |                                         |                                            |                                      |
| - short-term temporary borrowing          | 20.316                                  | 19.771                                     | -0.545                               |
| - long-term borrowing                     | 1871.404                                | 1741.523                                   | -129.881                             |
| <b>Total Debt</b>                         | <b>1891.721</b>                         | <b>1761.295</b>                            | <b>-130.426</b>                      |
| <b>Treasury Management Investments</b>    |                                         |                                            |                                      |
| - deposits with various investment funds  | -131.122                                | -301.187                                   | -170                                 |
| <b>Total Investments</b>                  | <b>-131.122</b>                         | <b>-301.187</b>                            | <b>-170</b>                          |
| <b>Non-Treasury Investments (Service)</b> |                                         |                                            |                                      |
| Group Entities                            | 278.294                                 | 34.035                                     | -244.259                             |
| Third party loans                         | 594.402                                 | 362.755                                    | -231.647                             |
| Non-Treasury Commercial Properties        | 479.544                                 | 712.125                                    | 232.581                              |

|                                                                               |                 |                 |                 |
|-------------------------------------------------------------------------------|-----------------|-----------------|-----------------|
| <b>Total Non-Treasury Investments</b>                                         | <b>1352.241</b> | <b>1108.915</b> | <b>-243.325</b> |
| <b>Indicative Net Borrowing (after deduction of non-treasury investments)</b> | <b>408.359</b>  | <b>351.194</b>  |                 |

- 15.7 The Council monitor their non-treasury investments on an ongoing basis. A detailed monitoring report also goes to Cabinet on a quarterly basis. This report also includes assessing exit strategy options for non-treasury assets.
- 15.8 The legal powers relied upon to make the Non-Treasury Investments are a combination of:
- Section 12 of The Local Government act 2003
  - Section 1 of the Local Government Act 2003
  - General Power of Competence under the Localism Act 2011
- 15.9 It is important to note that prudence lies at the heart of the Council's risk assessment and decision-making, and that the Council applies a twin principle of proportionality to its investments and borrowings. In other words, for any investment, the prudent assessment and consideration of the investment and its associated risks should be proportional to:
- The size of the investment, any proposed funding needs and the cashflow requirements of the Council.
  - The complexity (including the volatility) of the proposed investment strategy.
  - Collateral of the asset
  - Reserves level of the Council and associated subsidiary reserve levels
- 15.10 The key basic metric is whether the Council is making a return in excess of its borrowings, with an overlay of scenario analysis depending on the complexity and size of the underlying investment, as noted above. It is important to note that this yield also accounts for the cost of all borrowings, not just those made for investment purposes. The Council makes a positive return on its investments. Therefore, the Council is able to meet all of its borrowing costs through the investment income it currently generates.
- 15.11 Borrowings are largely long dated with an average maturity of 23 years, providing the Council with ample time to prudently plan its repayment, refinancing and asset disposal strategies as needed and so as to ensure it is not at risk of an unexpected mismatch between the profile of its assets and its liabilities. The vast majority of borrowings – over 90% - are at a fixed rate, removing interest rate risk and protecting the Council from any inflation risk. Where there is some inflation, namely the CPI bond issued by the Council, this has a cap to control exposures and has been subject to rigorous scenario analysis at the time to ensure that potential exposures were prudently assessed. The key basic metric is whether the Council is making a return in excess of its borrowings, which it is, has historically and forecast to do in the future.
- 15.12 The Council at 31 March 2024 had reserves of £117.8m. The reserves to net income ratio is 5.34, which indicates the Council can sustain a complete loss of net income for over 5 years

if needed without any impact on the budget. This is a slight decrease from the previous reserves to net income ratio of 5.40 due to use of reserves in 2023/24. The reserves to borrowing costs ratio is 3.35 for current borrowings, compared to a ratio of 3.27 previously. This indicates that in the absence of no investment income at all – a deeply bearish tail scenario – the Council would still be able to pay its borrowing costs for circa 3 years. The increase is mainly due to a slight decrease in interest rates. It should be noted from a proportionality perspective, the Council undertakes specific analysis on the financial resilience of key and complex investments, and to ensure that assets and borrowings are carefully matched to minimise risk to the Council.

- 15.13 The bulk of the Council's non-treasury investment programme is secured on physical assets largely property which can be sold in the future to repay debt. The Council also makes provision to repay debt each year via its Minimum Revenue Provision charge and makes a contribution to a Corporate Risk Reserve to meet revenue costs if any of the investments get into difficulty.

## **16. ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) POLICY**

- 16.1 As noted, the Council is committed to being a responsible investor at all times. Responsible investment means to recognise the importance of the long-term health and stability of the financial markets, and to understand that this depends on key external non-financial factors, such as the environment, social stability and strong governance. Collectively, these factors are often referred to under the umbrella of ESG (Environmental, Social and Governance).
- 16.2 The Council's objective is to recognise all these risks, to mitigate them where possible and thereby improve the security of its portfolio in the long-term.
- 16.3 Within these, the Council has identified climate change as a long-term, material and systemic financial risk with the potential to significantly impact the Council's investment and financial resilience over time. Therefore, the Council seeks to:
- Minimise exposure to counterparties and investments heavily impacted by climate change risk.
  - Increase exposure to sectors, counterparties and investments, such as renewables, whose activities aid the transition to a lower carbon world and economy.
  - Contribute meaningfully to an improved economically sustainable future locally and nationally, without sacrificing security.
- 16.4 This is not to ignore other non-financial risks. The Council sees positive social impact also as a key to aid long-term financial stability, and as a meaningful contribution to the local, regional and national economy. Good governance meanwhile is also critical to safeguarding the Council's reputational risk and long-term resilience.
- 16.5 The Council's core ESG principles are set out below in full:

- The Council recognises the potential impact of its counterparties and investments on the environment, workers, communities and society, as well as the potential impact of climate change on the counterparties and businesses into which the Council invests, the Council itself and its local economy and community.
- The Council will seek to ensure where possible that its investment counterparties will act responsibly with respect to the environment, aiming for a sustainable approach to the use of resources, avoiding irresponsible disposal of hazardous products and unnecessary waste.
- The Council and its counterparties will be non-discriminatory (whether on grounds of gender, race or disability), and adopt equality and diversity in their employment practices.
- The Council seeks to ensure it, and its counterparties always respect human rights and ensure no exploitation of child labour.
- The Council and its counterparties will seek to act with integrity at all times in their dealings.
- The Council will seek to encourage positive ESG behaviour, engaging with counterparties and investments where appropriate to encourage best practice and drive change.
- The Council will comply with any industry standard ESG guidelines that may arise and otherwise, always seek to ensure best practices, actively managing ESG considerations and risks alongside its financial considerations and risks.

16.6 The Council will Incorporate ESG issues into its analysis and decision-making processes when considering investments. The Council will seek to use data and analysis to determine the type and materiality of relevant issues where relevant and their alignment with the Council's core principles. It is important to note that the Council shall invest on the collective basis of its investment criteria and priorities, as laid out earlier in the Council's risk appetite statement, having considered all factors contributing to the risk of its investments, including ESG factors.

16.7 The Council will also seek to develop appropriate reporting and monitoring to provide transparency on its ESG profile as well as engage to encourage best practice. This will be through supporting investments and counterparties aligned with the Council's objectives, reviewing the ESG policies of funds and counterparties where appropriate, and the sourcing of suitable metrics where relevant such as for example, social impact metrics, external ratings and quantifying the investments in assets and businesses contributing to climate change reduction.

## **17. INDICATORS**

17.1 Appendix D to this report presents a range of indicators that enable greater understanding to the Council's total exposure from borrowing and investment decisions. The Council intends to add to this over time to reflect its focus on responsible investment and managing ESG risks.



## **18. EXTERNAL PARTNER INFLUENCES**

- 18.1 The Council works closely with regional, local authority partners in the Warrington and the regional area. The Council has significant partnerships with other public sector bodies, Housing Associations, charities, universities and colleges to support the delivery of services for its residents, communities and businesses. Key partnerships are those with the NHS, Cheshire & Warrington Enterprise Partnership and Wire Regeneration.
- 18.2 The Council will continue to work with Government to align key priorities and to make a case for a much longer-term financial support to capital investment that not only supports Warrington's vital infrastructure, but also projects that can make a stepped change in helping to drive the Warrington, region and nation forward.
- 18.3 The Council will continue to use its enabling role to harness skills and private funding, in order to take forward capital investment to deliver improvements and inclusive growth which would not otherwise be deliverable or affordable. It will set out its vision and co-ordinate activity between business and government bodies to develop a more productive and innovative platform for investment in Warrington.
- 18.4 During 2025 the Council will continue its positive discussions and work with the Ministry of Housing, Communities & Local Government (MHCLG) and CIPFA in understanding the Council's Capital Strategy and capital risk profile and will implement any recommendations of the Best Value Review once published.

## **19. SECTION 151 OFFICER ASSURANCE**

- 19.1 This Capital Strategy is compiled in line with the recommendations or suggestions contained within the latest CIPFA Prudential Code and Treasury Management Codes.
- 19.2 The Section 151 Officer views the Strategy to be prudent and affordable and it is fully integrated with the Council's 2025 - 2028 Medium Term Financial Plan, Treasury Management Strategy and other Strategic Plans.
- 19.3 The risk associated with the Strategy is covered by the Council Risk Appetite Statement above and the wider on-going Corporate Governance system of the Council.

## **20. FINANCIAL CONSIDERATIONS**

- 20.1 Dealt with in the body of the report.

## **21. RESPONSIBLE INVESTMENT AND ESG CONSIDERATIONS**

- 21.1 Dealt with in the body of the report.

## **22. IFRS 16**

- 22.1 There is a significant change affecting the Council's assets & long-term creditors, which is the adoption of the International Financial Reporting Standard (IFRS) 16. Under IFRS 16, leases that were previously classified as operating leases for lessees under IAS 17 will be reclassified as finance leases. This will result in additional assets on the Balance Sheet.
- 22.2 The full impact of changes will not be known until the end of the financial year as decisions on leases are ongoing and could take up to the end of the year. It is anticipated that the Council may need to consider borrowing during 2025/26 and capacity has not yet been included within the limits. A recommendation has been included to delegate amendments to the authorised limit and operational boundary, where needed to the Director of Finance.

## **23. RISK ASSESMENT**

- 23.1 Contained within the body of the report. All schemes entering the programme are subject to a full risk assessment and on-going monitoring. The Council has expanded its risk appetite statement to reflect its focus on responsible investment and managing additional non-financial risks, notably ESG related risks (e.g. climate risk). These are being integrated into the Council's due diligence and monitoring where appropriate.

## **24. EQUALITY AND DIVERSITY / EQUALITY IMPACT ASSESSMENT**

- 24.1 These are fully integrated into the Capital Programme.

## **25. CONSULTATION**

- 25.1 A full officer and member consultation has taken place in developing the Capital Strategy.

## **26. CLIMATE CHANGE IMPLICATIONS**

- 26.1 All the Council's Capital Investments operate to high ESG standards.

## **27. REASONS FOR RECOMMENDATION**

- 27.1 To set the 2025/26 – 2027/28 Capital Programme.

## **28. RECOMMENDATION**

- 28.1 It is recommended that the Council:
- (i) agree the 2025/26 Capital Strategy.
  - (ii) agree the 2025/26 – 2027/28 Capital Programme contained in Appendix A to this report.

- (iii) agree the Capital Receipts Flexibilities Policy contained within Appendix B of this report for adoption.

## 29. BACKGROUND PAPERS

Capital Programme Model

### Contacts for Background Papers:

| Name         | E-mail                                                                     | Telephone    |
|--------------|----------------------------------------------------------------------------|--------------|
| Danny Mather | <a href="mailto:dzmather@warrington.gov.uk">dzmather@warrington.gov.uk</a> | 01925 442344 |

| 30.                        | Clearance Details |           |    |                  |
|----------------------------|-------------------|-----------|----|------------------|
|                            | Name              | Consulted |    | Date<br>Approved |
|                            |                   | Yes       | No |                  |
| Relevant Cabinet Member    | Cllr D Matthews   | ✓         |    |                  |
| SLT                        |                   | ✓         |    | 21-01-2025       |
| Section 151 Officer        | Lynton Green      | ✓         |    | 21-01-2025       |
| Council Monitoring Officer | Paul Clisby       | ✓         |    | 21-01-2025       |

# **1 2025/26 – 2027/28 CAPITAL PROGRAMME**

- 11 The Council has a statutory responsibility to set a fully funded three-year capital programme each year when agreeing the budget. There are largely two main funding streams to finance capital schemes, capital grants received from the government and direct funding from the Council (which is made up of Prudential Borrowing, Capital Receipts and Revenue Contributions).
- 12 Capital expenditure mainly includes spending on the acquisition or improvement of physical assets.
- 13 In agreeing the 2025/26 – 2027/28 capital programme it is proposed to follow the previous years practice of ring fencing government capital grants to the service that they are allocated to. The bulk of the capital grant allocation is accounted for by the Local Transport Plan and Children’s Services allocations, which are all priority service areas.
- 14 The Council’s strategic management of the capital programme allows new schemes to be added to the programme quarterly by agreement with Cabinet.
- 15 The proposed 2025/26 – 2027/28 capital programme is £303.874m. As part of the budget process the programme has been reviewed to ensure it continues to meet Council priorities and remains affordable within the level of resources available.
- 16 The table below provides a summary of the 2025/26 – 2027/28 capital programme. A full copy of the draft capital programme on a scheme by scheme basis can be found in the following pages.

## **2025/26 – 2027/28 Capital Programme**

| <b>Capital Programme<br/>Directorate Budgets</b> | <b>2025/26<br/>£m</b> | <b>2026/27<br/>£m</b> | <b>2027/28<br/>£m</b> | <b>Total<br/>£m</b> |
|--------------------------------------------------|-----------------------|-----------------------|-----------------------|---------------------|
| Families & Wellbeing                             | 39.576                | 4.043                 | 0.100                 | 43.719              |
| Corporate Services                               | 2.569                 | 0.745                 | -                     | 3.314               |
| Environment & Transport                          | 51.550                | 24.365                | 12.571                | 88.846              |
| Growth                                           | 7.504                 | -                     | 2.377                 | 9.881               |
| Invest to Save Programme                         | 73.592                | 41.250                | 43.632                | 158.474             |
| <b>TOTAL - Capital Spending Plans</b>            | <b>174.791</b>        | <b>70.403</b>         | <b>58.680</b>         | <b>303.874</b>      |

## **Financing the Capital Programme**

- 17 The level and availability of capital funding determines the size of the overall capital programme and is heavily reliant on external funding, mainly in the form of capital grants from the Government. The programme is also reliant on internal funding to deliver more local priorities like Town Regeneration, Housing, Highways, Parks and Schools. These internal funds

are largely in the form of prudential borrowing but can also include capital receipts and earmarked reserves. There are significant constraints on the availability of internal funds due to a finite asset base which puts pressure on delivering capital receipts from the sale of surplus assets.

- 18 All borrowing is done within agreed prudential limits and needs to be affordable and sustainable. A range of indicators are maintained to demonstrate this. These indicators are contained within the Council's Treasury Management Strategy and monitored and reported to the Audit & Corporate Governance Committee on a quarterly basis. The main prudential indicators are also summarised in section 12.4 & 12.5 of the capital strategy.
- 19 All Invest to Save schemes require the production of a detailed business case which is subject to stringent internal challenge before recommending to Cabinet for approval. The Council's Invest to Save Programme has proved very successful.
- 110 The table below provides a summary of the funding of the 2025/26 – 2027/28 capital programme.

#### **Funding the 2025/26 – 2027/28 Capital Programme**

| <b>Capital Programme Funding</b>       | <b>2025/26<br/>£m</b> | <b>2026/27<br/>£m</b> | <b>2027/28<br/>£m</b> | <b>Total<br/>£m</b> |
|----------------------------------------|-----------------------|-----------------------|-----------------------|---------------------|
| Unsupported Borrowing - Corporate      | 37.724                | 20.106                | 7.101                 | 64.931              |
| Unsupported Borrowing - Invest to Save | 73.592                | 41.250                | 43.632                | 158.474             |
| Capital Grants & Reserves              | 55.510                | 4.875                 | 7.479                 | 67.864              |
| Capital Receipts                       | 0.902                 | 2.150                 | -                     | 3.052               |
| External Funding                       | 7.063                 | 2.022                 | 0.468                 | 9.553               |
| <b>TOTAL - Capital Funding Plans</b>   | <b>174.791</b>        | <b>70.403</b>         | <b>58.680</b>         | <b>303.874</b>      |

- 111 It can be seen from the table above that the Council borrows for two types of schemes. Corporate borrowing, this is borrowing for schemes that generate a borrowing cost to the Council and do not generate additional revenue e.g. parks, highway schemes, building maintenance. Invest to Save borrowing is for schemes that generate a financial return to the Council after the repayment of borrowing costs. The largest allocation is for the Council's fully secured potential future loans programme (£116.132m). All loans entering the programme must be approved by Cabinet.
- 112 The 2025/26 – 2027/28 Capital Programme generates an additional revenue borrowing cost to the Council estimated at £5.454m a breakdown of which is given below:
  - 2025/26 - £3.169m
  - 2026/27 - £1.689m
  - 2027/28 - £0.596m
- 113 These costs relate to schemes previously agreed by Cabinet, the bulk of which can be accounted for by major transport projects.

## New Corporate Schemes

- 114 The following projects are proposed for inclusion in the 2025/26 – 2027/28 Capital Programme:
- 115 **Capital Building Improvement projects** – various building improvement works totalling £747k. The total budget of £747k will cost the Council an estimated £72k per annum for a 25 year period.
- 116 **Adaptation and Fast Track ASC Equipment** - various equipment purchased by the Council to keep people safe, well and as independent as possible in their own homes, that is provided on loan to Warrington residents and remains the property of the Council. The total budget of the Council. The total budget of £1m will cost the Council an estimated £156k per annum for a 10-year period
- 117 **Brook Avenue** - proposed redevelopment of vacant land at Brook Avenue for four no specialist bungalows for adults with complex needs along with ancillary staff accommodation, communal facilities and car parking. The total budget of £1.814m includes external funding and S106 monies of totalling £870k, the remaining balance of £944k will cost the Council an estimated £84k per annum for a 30-year period.

## Appendix A

# Capital Programme 2025/26 – 2027/28

## Families & Wellbeing Capital Programme

| Project Description                                    | 2025/26<br>£m | 2026/27<br>£m | 2027/28<br>£m | Total<br>£m   |
|--------------------------------------------------------|---------------|---------------|---------------|---------------|
| <b>Adult Social Care</b>                               |               |               |               |               |
| Digital Call Units for CareCall                        | 0.300         | 0.263         | -             | 0.563         |
| <b>Total Adult Social Care</b>                         | <b>0.300</b>  | <b>0.263</b>  | <b>-</b>      | <b>0.563</b>  |
| <b>Education and Inclusion</b>                         |               |               |               |               |
| Grappenhall Heyes Expansion                            | 0.141         | -             | -             | 0.141         |
| Grappenhall Heyes Refurbishment S106                   | 0.210         | -             | -             | 0.210         |
| The Cobbs Infant - Flat Roof                           | 0.033         | -             | -             | 0.033         |
| Appleton Thorn - Flat Roof                             | 0.020         | -             | -             | 0.020         |
| Culcheth Primary - Boiler Works                        | 0.098         | -             | -             | 0.098         |
| Callands CP - Roof Works                               | 0.150         | -             | -             | 0.150         |
| Cherry Tree CP - Toilet block extension                | 0.013         | -             | -             | 0.013         |
| Locking Stumps Roof Works                              | 0.031         | -             | -             | 0.031         |
| Bradshaw Primary Lights & Ceiling Works                | 0.009         | -             | -             | 0.009         |
| Newchurch Primary - Drainage                           | 0.005         | -             | -             | 0.005         |
| Barrowhall Additional Primary Places                   | 0.439         | -             | -             | 0.439         |
| Christ Church - S106                                   | 0.050         | -             | -             | 0.050         |
| Great Sankey Primary Places S106                       | -             | 1.700         | 0.100         | 1.800         |
| Cherry Tree CP - Fencing                               | 0.146         | -             | -             | 0.146         |
| Bewsey Lodge - Various works                           | 0.070         | -             | -             | 0.070         |
| Bewsey Lodge - Roof works                              | 0.090         | -             | -             | 0.090         |
| Bewsey Lodge - Electrical Improvements                 | 0.040         | -             | -             | 0.040         |
| Primary School Additional Places - Bruche CP           | 12.950        | -             | -             | 12.950        |
| Primary Schools Maintenance Programme                  | 0.950         | -             | -             | 0.950         |
| Demolition of Bruche Infant Building                   | 0.105         | -             | -             | 0.105         |
| Penketh High School Rebuild                            | 1.426         | 1.000         | -             | 2.426         |
| Secondary School Additional Places - Great Sankey High | 12.900        | -             | -             | 12.900        |
| Lymm High S106                                         | 0.307         | -             | -             | 0.307         |
| ASD - Clearing of grounds                              | 0.337         | -             | -             | 0.337         |
| Peace Centre Post 16/19 Education & ASC Provision      | 7.897         | 1.080         | -             | 8.977         |
| Woolston Learning Village - Exit to site               | 0.050         | -             | -             | 0.050         |
| Woolston Brook - Doors                                 | 0.400         | -             | -             | 0.400         |
| Greenlane - Flat Roof                                  | 0.019         | -             | -             | 0.019         |
| SEND - Fox Cubs internally                             | 0.010         | -             | -             | 0.010         |
| SEND - Green Lane Additional Places                    | 0.230         | -             | -             | 0.230         |
| SEND - Gorse Covert                                    | 0.150         | -             | -             | 0.150         |
| <b>Total Education and Inclusion</b>                   | <b>39.276</b> | <b>3.780</b>  | <b>0.100</b>  | <b>43.156</b> |
| <b>TOTAL FAMILIES &amp; WELLBEING</b>                  | <b>39.576</b> | <b>4.043</b>  | <b>0.100</b>  | <b>43.719</b> |



## Corporate Services Capital Programme

| Project Description                                 | 2025/26<br>£m | 2026/27<br>£m | 2027/28<br>£m | Total<br>£m  |
|-----------------------------------------------------|---------------|---------------|---------------|--------------|
| <b>Finance</b>                                      |               |               |               |              |
| Torus Solar PV Scheme                               | 0.200         | -             | -             | 0.200        |
| Walton Hall Decarbonisation Scheme                  | 0.051         | -             | -             | 0.051        |
| Local Electric Vehicle Infrastructure (LEVI)        | 0.787         | -             | -             | 0.787        |
| <b>Total Finance</b>                                | <b>1.038</b>  | <b>-</b>      | <b>-</b>      | <b>1.038</b> |
| <b>Customer and Business Transformation</b>         |               |               |               |              |
| IT Rolling Hardware Replacement Programme           | 0.745         | 0.595         | -             | 1.340        |
| IT 5yr Rolling Infrastructure Replacement Programme | 0.786         | 0.150         | -             | 0.936        |
| <b>Total Customer and Business Transformation</b>   | <b>1.531</b>  | <b>0.745</b>  | <b>-</b>      | <b>2.276</b> |
| <b>TOTAL CORPORATE SERVICES</b>                     | <b>2.569</b>  | <b>0.745</b>  | <b>-</b>      | <b>3.314</b> |

## Environment & Transport Capital Programme

| Project Description                                                | 2025/26<br>£m | 2026/27<br>£m | 2027/28<br>£m | Total<br>£m |
|--------------------------------------------------------------------|---------------|---------------|---------------|-------------|
| <b>Environment and Transport</b>                                   |               |               |               |             |
| Capitalisation of Potholes                                         | 0.500         | 0.500         | 0.500         | 1.500       |
| Chapelford Highways Works (commuted sum)                           | 0.114         | -             | -             | 0.114       |
| Highways Investment Strategy                                       | 3.000         | 2.880         | -             | 5.880       |
| TSOG & GLF Projects                                                | 0.500         | -             | -             | 0.500       |
| S106 Eagle Ottawa                                                  | 0.035         | -             | -             | 0.035       |
| Centre Park Link                                                   | 0.060         | -             | -             | 0.060       |
| Warrington West Station                                            | 0.097         | -             | -             | 0.097       |
| ITB Smaller LST Scheme                                             | 0.100         | 0.238         | -             | 0.338       |
| Multi-modal Model                                                  | 0.020         | -             | -             | 0.020       |
| ATF3 - A5061 Liverpool Road Cycle Track                            | 0.008         | -             | -             | 0.008       |
| Warrington West Cycle Accessibility                                | 0.009         | -             | -             | 0.009       |
| Omega to Burtonwood Accessibility Improvements                     | 0.001         | -             | -             | 0.001       |
| Westbrook Way Shared Use Path                                      | 0.015         | 0.010         | 0.010         | 0.035       |
| TPT path widening – Lymm phase 2                                   | 0.094         | -             | -             | 0.094       |
| Gainsborough Road Access Improvements                              | 0.061         | 0.165         | -             | 0.226       |
| LCWIP Network Delivery                                             | 0.002         | 0.800         | -             | 0.802       |
| Levelling Up Fund - Transport Match Funding                        | 0.250         | 2.000         | 5.798         | 8.048       |
| Food Waste Collections                                             | 1.864         | -             | -             | 1.864       |
| Victoria Park Improvement                                          | 0.286         | -             | -             | 0.286       |
| Warrington Allotments Improvement Programme                        | 0.015         | -             | -             | 0.015       |
| Victoria Park Regeneration Phase 2 - New Sports Facilities         | 0.016         | -             | -             | 0.016       |
| Alexander Park Developments Phase 1 - Play Area Phase 2 - Pavilion | 0.004         | -             | -             | 0.004       |
| Oakwood Avenue Park Refurbishment                                  | 0.069         | -             | -             | 0.069       |

|                                                                       |                       |                       |                       |                     |
|-----------------------------------------------------------------------|-----------------------|-----------------------|-----------------------|---------------------|
| Longbarn Park Refurbishment                                           | 0.007                 | -                     | -                     | 0.007               |
| Enfield Park Refurbishment                                            | 0.015                 | -                     | -                     | 0.015               |
| Birchwood Brook Footpath                                              | 0.003                 | -                     | -                     | 0.003               |
| Lymm Dam Site Infrastructure Refurbishment                            | 0.022                 | -                     | -                     | 0.022               |
| <b>Project Description</b>                                            | <b>2025/26<br/>£m</b> | <b>2026/27<br/>£m</b> | <b>2027/28<br/>£m</b> | <b>Total<br/>£m</b> |
| <b>Environment and Transport</b>                                      |                       |                       |                       |                     |
| Birchwood Forest Park Ranger & Sports Changing Building Refurbishment | 0.009                 | -                     | -                     | 0.009               |
| Risley Moss Towers Plus                                               | 0.157                 | -                     | -                     | 0.157               |
| Old Hall Park Refurbishment                                           | 0.032                 | -                     | -                     | 0.032               |
| Rixton Clay Pits Footpath Upgrade PROW to PFA                         | 0.027                 | -                     | -                     | 0.027               |
| Parsonage Way Playing Field                                           | 0.015                 | -                     | -                     | 0.015               |
| Revive Projects                                                       | 0.009                 | -                     | -                     | 0.009               |
| Playground Projects                                                   | 0.356                 | -                     | -                     | 0.356               |
| Western Link Blight Claims                                            | 6.323                 | -                     | -                     | 6.323               |
| Western Link Preconstruction *                                        | 5.629                 | 9.866                 | 4.440                 | 19.935              |
| Omega Local Highways Phase 2B                                         | 0.360                 | -                     | -                     | 0.360               |
| Omega Local Highways Phase 3                                          | 2.134                 | 1.823                 | 1.823                 | 5.780               |
| Victoria Park 3G Pitch                                                | 0.116                 | -                     | -                     | 0.116               |
| Zero Emission Bus Regional Area (ZEBRA)                               | 5.867                 | -                     | -                     | 5.867               |
| Bus Service Improvement Plan - Bus Priority Measures                  | 9.357                 | -                     | -                     | 9.537               |
| Depot Amalgamation *                                                  | 6.000                 | 6.083                 | -                     | 12.083              |
| Sankey Street Gateway (WTD)                                           | 1.350                 | -                     | -                     | 1.350               |
| Accessibility Improvements (WTD)                                      | 0.100                 | -                     | -                     | 0.100               |
| Wayfinding Improvements (WTD)                                         | 0.067                 | -                     | -                     | 0.067               |
| TPT Upgrade - South of Greenalls Avenue (WTD)                         | 0.241                 | -                     | -                     | 0.241               |
| Kingsway Bridge Area Improvements (WTD)                               | 0.960                 | -                     | -                     | 0.960               |
| Bewsey Road - Sankey Way to Town Centre (WTD)                         | 1.201                 | -                     | -                     | 1.201               |
| Wilderspool Causeway Bus Priority Corridor (WTD)                      | 1.261                 | -                     | -                     | 1.261               |
| Cardinal Newman 3G Pitch (WTD)                                        | 0.054                 | -                     | -                     | 0.054               |
| Disabled Facilities Grant 2025/26                                     | 2.758                 | -                     | -                     | 2.758               |
| <b>TOTAL ENVIRONMENT &amp; TRANSPORT</b>                              | <b>51.550</b>         | <b>24.365</b>         | <b>12.571</b>         | <b>88.846</b>       |

## Growth Capital Programme

|                                                                    |                       |                       |                       |                     |
|--------------------------------------------------------------------|-----------------------|-----------------------|-----------------------|---------------------|
| <b>Project Description</b>                                         | <b>2025/26<br/>£m</b> | <b>2026/27<br/>£m</b> | <b>2027/28<br/>£m</b> | <b>Total<br/>£m</b> |
| <b>Growth</b>                                                      |                       |                       |                       |                     |
| Orford Jubilee Hub Decarbonisation Scheme                          | 4.427                 | -                     | -                     | 4.427               |
| Supported Housing Project                                          | 0.400                 | -                     | -                     | 0.400               |
| Specialist Housing Programme - Culcheth Bungalows                  | 0.016                 | -                     | -                     | 0.016               |
| Specialist Housing Programme - Telfor and Waveney's Houses Padgate | 0.011                 | -                     | -                     | 0.011               |
| Specialist Housing Programme - Children's Complex Needs Hub        | 0.036                 | -                     | -                     | 0.036               |
| Specialist Housing Programme - Children's 4 Bed Care Home          | 0.044                 | -                     | -                     | 0.044               |
| Single Homeless Accommodation - Longshaw Street and                | 0.063                 | -                     | -                     | 0.063               |

|                                                        |              |          |              |              |
|--------------------------------------------------------|--------------|----------|--------------|--------------|
| Troutbeck Avenue                                       |              |          |              |              |
| Advanced Construction & Civil Engineering Centre (WTD) | 0.060        | -        | -            | 0.060        |
| Digital Enterprise Hub (WTD)                           | 0.062        | -        | -            | 0.062        |
| Pyramid Remastered (WTD)                               | 2.239        | -        | -            | 2.239        |
| Programme Management (WTD)                             | 0.081        | -        | -            | 0.081        |
| Levelling Up Fund 3 Community Projects                 | -            | -        | 2.377        | -            |
| <b>TOTAL GROWTH</b>                                    | <b>7.504</b> | <b>-</b> | <b>2.377</b> | <b>9.881</b> |

## Invest to Save Capital Programme

| Project Description                                | 2025/26<br>£m  | 2026/27<br>£m | 2027/28<br>£m | Total<br>£m    |
|----------------------------------------------------|----------------|---------------|---------------|----------------|
| <b>Corporate Services</b>                          |                |               |               |                |
| Loans to Housing Associations                      | 38.750         | 38.750        | 38.632        | 116.132        |
| <b>Total Corporate Services</b>                    | <b>38.750</b>  | <b>38.750</b> | <b>38.632</b> | <b>116.132</b> |
| <b>Environment &amp; Transport</b>                 |                |               |               |                |
| Street Lighting Energy, Carbon & Asset Improvement | 4.950          | -             | -             | 4.950          |
| <b>Total Environment &amp; Transport</b>           | <b>4.950</b>   | <b>-</b>      | <b>-</b>      | <b>4.950</b>   |
| <b>Growth</b>                                      |                |               |               |                |
| Housing Companies *                                | 27.392         | -             | -             | 27.392         |
| Housing Purchase Fund                              | 2.500          | 2.500         | 5.000         | 10.000         |
| <b>Total Growth</b>                                | <b>29.892</b>  | <b>2.500</b>  | <b>5.000</b>  | <b>37.392</b>  |
| <b>TOTAL INVEST TO SAVE</b>                        | <b>73.592</b>  | <b>41.250</b> | <b>43.632</b> | <b>158.474</b> |
| <b>TOTAL CAPITAL PROGRAMME</b>                     | <b>174.791</b> | <b>70.403</b> | <b>58.680</b> | <b>303.874</b> |

\* Subject to Full Business Case

## **FLEXIBLE USE OF CAPITAL RECEIPTS STRATEGY**

### **Purpose**

To approve the Council's Flexible Use of Capital Receipts Strategy.

### **Background**

In March 2016, the former Secretary of State for Housing, Communities and Local Government, now the MHCLG issued Statutory Guidance that permitted Local Authorities to use capital receipts to fund the revenue costs of transformation for the period 1 April 2016 to 31 March 2019. This flexibility has been extended several times, most recently to 31 March 2030.

This Capital Strategy and the MTFS of the Council has been prepared on the basis on the continued use of the Flexible Use of Capital Receipts over the life of the 2025/30 Capital Strategy. It is forecast that this will be announced in the Final 2025/26 Local Government Finance settlement

### **Guidance**

The Statutory Guidance and supporting 'informal commentary' published in March 2016, and updated in August 2022, states that "Qualifying expenditure is expenditure on any project that is designed to generate ongoing revenue savings in the delivery of public services and/or transform service delivery to reduce costs and/or transform service delivery in a way that reduces costs or demand for services in future years for any of the public sector delivery partners. Within this definition, it is for individual Local Authorities to decide whether or not a project qualifies for the flexibility".

The Government direction states that the Council cannot borrow to finance the revenue costs of service reform, and the Council will comply with this requirement.

**TO FOLLOW – AWAITING GUIDANCE FROM GOVERNMENT FOR 2025/26 ONWARDS.**

### **The Council's Proposals**

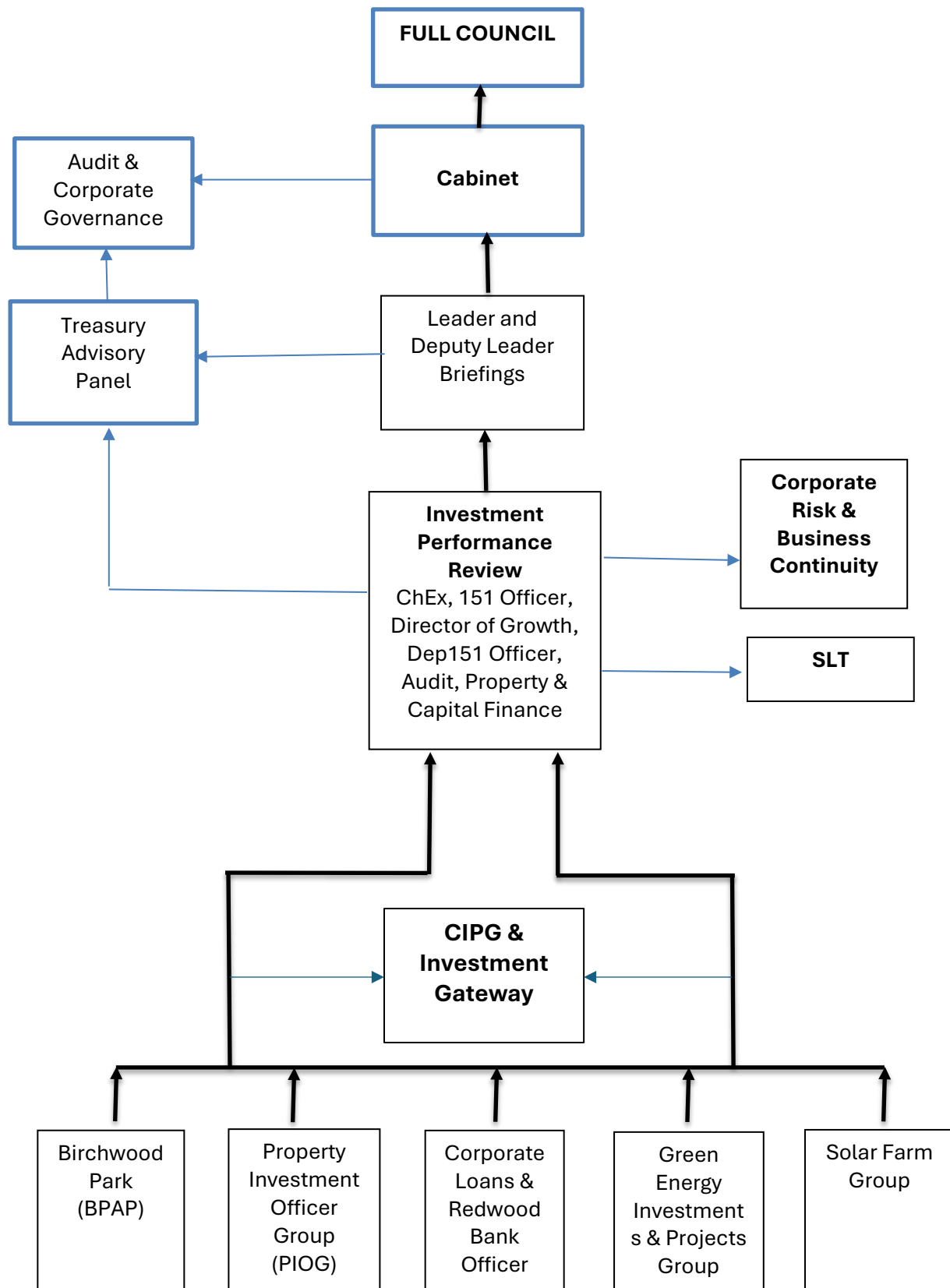
This Strategy outlines the projects which plan to make use of the capital receipt flexibility. The Strategy can be replaced at any point during the financial year with a revised Strategy outlining an up-to-date position.

The Council intends to use the capital receipts flexibility to fund or part fund the following projects:

- Transformation Projects
- Redundancy Costs

| Project Description                                          | Estimated<br>Expenditure<br>2025/26<br>£000 |
|--------------------------------------------------------------|---------------------------------------------|
| Transformation Projects * Subject to<br>Government Guidance. | 0,000                                       |
| Redundancy Costs                                             | 2,420                                       |
| Total                                                        | 2,420                                       |

## COMMERCIAL INVESTMENTS GOVERNANCE STRUCTURE



## Appendix D

### Commercial income indicators

#### A Debt as a percentage of net service expenditure (NSE)

This indicator shows the gross debt as a percentage of the net service expenditure of the Council. This shows the level of debt relative to the financial size and strength of the authority.

The estimates are taken from the Treasury Strategy Working papers and the MTFP.

|                                                    | 24/25 Estimate<br>£m | 25/26<br>Estimate £m | 26/27<br>Estimate £m | 27/28<br>Estimate £m |
|----------------------------------------------------|----------------------|----------------------|----------------------|----------------------|
| Gross Debt                                         | 1584.845             | 1666.521             | 1767.736             | 1829.092             |
| Net Service Expenditure (NSE)                      | 194.292              | 208.892              | 210.481              | 212.032              |
| <b>Gross Debt to net service expenditure ratio</b> | 815.70%              | 797.79%              | 839.86%              | 862.65%              |

#### B Commercial Income as percentage of NSE

This indicator is to show the dependence on income that is not from fees and charges. Fees and charges income is netted off the NSE and compared to the non-fees and charges income.

Commercial Income in this case refers to net interest and fees from loans to Housing Associations and other commercial entities, plus net rental received from commercial property investments as identified in the MTFP.

|                                                 | 24/25 Estimate<br>£m | 25/26<br>Estimate £m | 25/26<br>Estimate £m | 27/28<br>Estimate £m |
|-------------------------------------------------|----------------------|----------------------|----------------------|----------------------|
| Commercial Income MTFP                          | 18.121               | 23.121               | 23.121               | 23.121               |
| Gross Service Expenditure less Fees and Charges | 194.292              | 200.121              | 206.124              | 212.308              |
| <b>Commercial income to NSE ratio</b>           | 9.33%                | 11.55%               | 11.22%               | 10.89%               |

#### C Interest Cover Ratio

This indicator shows the ratio of estimated net income from commercial property investments before interest and MRP compared to the estimated interest expense incurred by them.

|                                                | 24/25 Estimate<br>£m | 25/26<br>Estimate £m | 26/27<br>Estimate £m | 27/28<br>Estimate £m |
|------------------------------------------------|----------------------|----------------------|----------------------|----------------------|
| Net Commercial Property Income before interest | 30.581               | 30.579               | 31.379               | 31.379               |
| Commercial Property Interest                   | 18.361               | 18.092               | 18.092               | 18.092               |
| <b>Interest cover ratio (times)</b>            | 1.67                 | 1.69                 | 1.73                 | 1.73                 |

#### D Loan to Value Ratio

This indicator compares the amount borrowed against the value of the commercial property assets bought. All Council Invest to Save Schemes are 100% loan to value and interest is charged on the full amount of the purchase price and associated costs.

|                                            | 24/25 Estimate<br>£m | 25/26<br>Estimate £m | 26/27<br>Estimate £m | 27/28<br>Estimate £m |
|--------------------------------------------|----------------------|----------------------|----------------------|----------------------|
| Gross Debt related to Property investments | £670,057             | £670,057             | £670,057             | £670,057             |
| Commercial Property Purchase Costs         | £670,057             | £670,057             | £670,057             | £670,057             |
| <b>Loan to Value Ratio</b>                 | 100.00%              | 100.00%              | 100.00%              | 100.00%              |

## E Target Income Returns

This indicator measures the yield for the portfolio of properties. This is measured by comparing the net income received, before interest and Minimum Revenue Provision, to the purchase costs. This is shown in totality for the whole of the Commercial Property portfolio. Purchase costs are the total for the portfolio not new purchases.

|                                                                         | 24/25 Estimate<br>£m | 25/26<br>Estimate £m | 26/27<br>Estimate £m | 27/28<br>Estimate £m |
|-------------------------------------------------------------------------|----------------------|----------------------|----------------------|----------------------|
| Net Commercial Income from Property Investments before interest and MRP | 30.581               | 30.579               | 31.379               | 31.379               |
| Commercial Property Purchase Costs                                      | 670.057              | 670.057              | 670.057              | 670.057              |
| <b>Target Income Returns</b>                                            | 4.56%                | 4.56%                | 4.68%                | 4.68%                |

Figure after MRP but before interest

|                                                                               | 24/25 Estimate<br>£m | 25/26<br>Estimate £m | 26/27<br>Estimate £m | 27/28<br>Estimate £m |
|-------------------------------------------------------------------------------|----------------------|----------------------|----------------------|----------------------|
| Net Commercial Income from Property Investments before interest but after MRP | 24.768               | 24.590               | 25.241               | 25.241               |
| Commercial Property Purchase Costs                                            | 670.057              | 670.057              | 670.057              | 670.057              |
| <b>Target Income Returns</b>                                                  | 3.70%                | 3.67%                | 3.77%                | 3.77%                |

Figure after MRP and interest

|                                                                        | 24/25 Estimate<br>£m | 25/26<br>Estimate £m | 26/27<br>Estimate £m | 27/28<br>Estimate £m |
|------------------------------------------------------------------------|----------------------|----------------------|----------------------|----------------------|
| Net Commercial Income from Property Investments after interest and MRP | 6.406                | 6.498                | 13.287               | 13.287               |
| Commercial Property Purchase Costs                                     | 670.057              | 670.057              | 670.057              | 670.057              |
| <b>Target Income Returns</b>                                           | 0.96%                | 0.97%                | 1.98%                | 1.98%                |

## F Gross and Net Income/Operating Costs from Commercial Investments

This indicator shows the expected Gross Income received from Commercial property activities, the Operating Costs of running them, and then the resulting Net Income received in monetary terms before and after interest, and also after MRP.

Please note for Gross Commercial Income, Birchwood Park gross rental income is shown before costs deducted within the trust. These costs are included in operating costs although they are not Council expenditure.

|                                                                                 | 24/25 Estimate<br>£m | 25/26<br>Estimate £m | 26/27<br>Estimate £m | 27/28<br>Estimate £m |
|---------------------------------------------------------------------------------|----------------------|----------------------|----------------------|----------------------|
| <b>Gross Commercial Income from Property Investments</b>                        | <b>37.517</b>        | <b>37.517</b>        | <b>37.517</b>        | <b>37.517</b>        |
| Operating Costs                                                                 | 6.936                | 6.938                | 5.989                | 6.138                |
| <b>Net Commercial Income from Property Investments before interest</b>          | <b>30.581</b>        | <b>30.579</b>        | <b>31.379</b>        | <b>31.379</b>        |
| Commercial Property Interest                                                    | 18.361               | 18.092               | 18.092               | 18.092               |
| <b>Net Commercial Income from Property Investments after interest</b>           | <b>12.220</b>        | <b>12.487</b>        | <b>13.287</b>        | <b>13.287</b>        |
| MRP                                                                             | 5.813                | 5.989                | 6.138                | 6.138                |
| <b>Net Commercial Income from Property Investments after interest &amp; MRP</b> | <b>6.406</b>         | <b>6.498</b>         | <b>7.149</b>         | <b>7.149</b>         |



## **G      Occupancy Levels**

The following table shows the expected average level of occupancy over the period. These are not expected to fluctuate over the next 3 years, except in the case of Birchwood Park which is very fluid due to the Park having multiple units. BT New Bailey is now completed.

| <b>Commercial Property</b>           | <b>Occupancy Levels</b> |
|--------------------------------------|-------------------------|
| <b>1-2 Fennel Street (Pure Gym)</b>  | <b>100%</b>             |
| <b>Birchwood Park</b>                | <b>92%</b>              |
| <b>Matalan</b>                       | <b>100%</b>             |
| <b>Eddie Stobarts</b>                | <b>100%</b>             |
| <b>Stanford House</b>                | <b>100%</b>             |
| <b>Appleton House/Atlantic House</b> | <b>100%</b>             |
| <b>Tesco Farnworth</b>               | <b>100%</b>             |
| <b>Tesco Widnes</b>                  | <b>100%</b>             |
| <b>Apollo Gemini</b>                 | <b>100%</b>             |
| <b>Asda Hulme</b>                    | <b>100%</b>             |
| <b>Sainsburys Sale</b>               | <b>100%</b>             |
| <b>Royal Mail Omega</b>              | <b>100%</b>             |
| <b>Decathlon</b>                     | <b>100%</b>             |
| <b>BT New Bailey</b>                 | <b>100%</b>             |