

<b>Report Title</b>	Combined Authority Capital Programme 2024/25, Capital Strategy & Treasury Management Strategy
<b>Portfolio Holder</b>	Portfolio Holder for Policy, Reform and Resources
<b>Summary of report</b>	This report presents the Combined Authority Capital budget for 2024/25, for approval.
<b>Is this report exempt?</b>	No
<b>Is this a Key Decision</b>	Yes In relation to expenditure or savings, it is likely to result in revenue in excess of £250,000 or capital in excess of £250,000.
<b>Is the report urgent</b>	No
<b>Is this decision to be exempt from call in</b>	No
<b>Local Authorities affected</b>	(All Local Authorities);
<b>Impact and implications of this report</b>	
<b>Financial impact</b>	Yes, covered throughout the report.
<b>Delegation (s) sought</b>	None
<b>Supporting the Corporate Plan</b>	A Fairer City Region ✓ A Stronger City Region ✓ A Cleaner City Region ✓ A Connected City Region ✓ A Vibrant City Region ✓
<b>Climate Change Implications</b>	No
<b>Equality and Diversity implications</b>	Yes, see paragraph 7.1
<b>Social Value implications</b>	No
<b>Human Resources implications</b>	No
<b>Physical Assets implications</b>	Yes, see paragraph 7.2
<b>Information Technology implications</b>	No
<b>Legal implications</b>	No
<b>Risk and Mitigation</b>	Yes, see paragraph 7.3

<b>Privacy implications</b>	No
<b>Communication and consultation implications</b>	No
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<b>Appendices</b>	Yes
<b>Background Documents</b>	No

# **Liverpool City Region Combined Authority**

**Friday, 15th March 2023**

## **Report of the Executive Director - Corporate Services**

### **COMBINED AUTHORITY CAPITAL PROGRAMME 24/25, CAPITAL STRATEGY & TREASURY MANAGEMENT STRATEGY**

#### **1. PURPOSE OF REPORT**

- 1.1. This report seeks approval for the Liverpool City Region Mayoral Combined Authority Capital Budget for 2024/25, including supporting Capital and Treasury Management Strategies.
- 1.2. The purpose of this report is to present details of the capital budget requirement for the Authority for 2024/25, together with the operational grant that will be payable to Merseytravel for the delivery of the Combined Authority's transport activities throughout the City Region.

#### **2. RECOMMENDATIONS**

- 2.1. It is recommended that the Liverpool City Region Combined Authority:
  - (a) approve the capital programme as detailed in Table 1 and Appendix One;
  - (b) approve a grant of £113.849m to Merseytravel to support the delivery of capital schemes;
  - (c) approve the Treasury Management Strategy 2024/25 incorporating the Minimum Revenue Provision and associated Treasury Limits and Prudential Indicators as detailed at Appendix Two; and
  - (d) approve the Capital Strategy as detailed at Appendix Three.

#### **3. BACKGROUND**

- 3.1. The Mayoral budget ,approved at the January meeting, reflects the priorities of the Metro Mayor and Combined Authority and is focused on securing the City Regions economic recovery by prioritising investment in infrastructure, skills and environment.
- 3.2. The priorities are contained with the Combined Authority's Corporate Plan and are:
  - A fairer City Region
  - A stronger City Region
  - A cleaner City Region
  - A connected City Region
  - A vibrant City Region
- 3.3. The Combined Authority, like many public bodies, operates in a challenging financial environment and has been at the forefront of responding to challenges

while at the same time building the foundations for the City Regions future economic recovery and prosperity. The Metro Mayor is determined that the Combined Authority should play a central role in supporting the City Region's future economic recovery. Ensuring that it is a green recovery, and this budget supports the City Region's net zero carbon ambitions.

- 3.4. The Combined Authority's financial strategy is to ensure that over the medium term it is able to achieve financial sustainability with value for money at the heart of all its activities. The budget setting process has sought to ensure that there is an alignment of resources with the key priorities as detailed in the Corporate Plan whilst maintaining a strong focus on developing a sustainable and prudent budget.

#### 4. CAPITAL PROGRAMME 24/25

- 4.1. The Combined Authority has an ambitious plan of capital investment aimed at supporting the key priorities outlined in the Corporate Plan.
- 4.2. The table below details the proposed capital programme and funding for 2024/25, incorporating the transport schemes that will be delivered by Merseytravel on behalf of the Combined Authority. A detailed breakdown of the capital programme is included at Appendix One.

Table 1 Proposed Group Capital Programme by Delivery Areas 2024/25- 2027/28

	2024/25 £000	2025/26 £000	2026/27 £000	2027/28 £000
Business Ecosystems & Innovation	1,454	0	0	0
Housing	18,277	0	0	0
People	404	0	0	0
Place	6,173	0	0	0
Transport	192,341	162,270	199,648	77,650
Low Carbon	6,840	0	0	0
UKSPF	6,106	0	0	0
Corporate Buildings and IT	1,158	853	1,214	260
<b>Total Capital Expenditure</b>	<b>232,753</b>	<b>163,123</b>	<b>200,862</b>	<b>77,910</b>
<i>Funded by:</i>				
Government Grant	167,000	144,001	190,999	70,150
Borrowing	24,080	7,161	0	0
Reserves	32,173	4,461	2,363	260
Revenue Contribution to Capital	7,500	7,500	7,500	7,500
Other	2,000	0	0	0
<b>Total Funding</b>	<b>232,753</b>	<b>163,123</b>	<b>200,862</b>	<b>77,910</b>

4.3. There are a range of funding sources totaling circa £233m which support the delivery of the Authority's Capital Investment Programme and in 2024/25 this is comprised of; -

- **Grant funding** - £167m, circa 72% of total funding required for the delivery of the programme. Allocations of grant funding are managed and monitored by various Governance Boards which operate to ensure the correct level of scrutiny is in place to support the appropriate spend of grant funding in line with the Authority's key priorities.
- **Borrowing** - £24m, circa 10% of funding, which relates solely to the continued delivery of the Rolling Stock Programme.
- **Reserves** - £32m, circa 14% of funding, this predominantly relates to the delivery of the first stages of the Combined Authority's ambitious plans to Franchise Bus Services which is funded entirely by the Bus Franchise Financing Reserve. This reserve was created via a transfer of funds from the Infrastructure Reserve, however the balance of both of these reserves will alter as and when external funds become available from external sources to support the Bus Franchise.
- **Revenue Funding** - contribution to capital of £7.5m, circa of 3% of funding, which relates to the recurring annual contribution to the Tunnels Programme of activity, and
- **Other Sources** - equating to £2m, circa 1% of funding which reflects a contribution from Everton Football Club for the development of Sandhills Station Fan Management Zone.

4.4. The internally delivered transport schemes as detailed in Appendix One are those that will be delivered by Merseytravel on behalf of the Combined Authority. As Merseytravel receives most of its capital funding through the Combined Authority, it is proposed that a capital grant of £113.849m is paid to Merseytravel to provide funding toward the programme.

4.5. The Combined Authority has an ambitious pipeline line of capital projects and whilst funding has been made available to support development activity, the progression of some schemes will be subject to further refinement and reported back to the Combined Authority throughout the year.

## 5. FINANCIAL RISKS AND RESERVES

5.1. The table below details the reserves position for Combined Authority taking account of the projected use of reserves in 2023/24 and 2024/25 to support capital activity.

Table 2 Projected Reserves Position

<b>Capital reserves movements</b>	<b>Forecast Balance 1 April 2024 £000</b>	<b>Budgeted use of reserves for capital £000</b>	<b>Balance 31 March 2025 £000</b>
Group Capital Reserves	13,800	0	13,800
Bus Franchise Financing Reserve	30,000	(30,000)	0
Tunnels Reserves	5,411	0	5,411
Rail Reserve	33,999	5,726	39,725
Chrysalis Reserve	34,972	0	34,972
Merseytravel reserves (capital)	5,118	(2,173)	2,945
Other capital reserves	14,273	0	14,273
<b>Total reserves - capital</b>	<b>137,573</b>	<b>(26,447)</b>	<b>111,126</b>

5.2. The nature of the external funding received by the Combined Authority means that the reserve position is typically high. It should be noted that the majority of these reserves, are earmarked for specific purposes and cannot be used to support general expenditure. Significant sums are set aside specifically to support the Combined Authority's investment plans.

5.3. In accordance with the Authority's strategy of achieving an ongoing financially sustainable position, the capital budget has been set based on reserves only being applied where there is a clear link through to supporting expenditure for which specific funds have been set aside. Consequently, the application of reserves to support the budget has been approached in a targeted manner, deliberately minimising use. The 2024/2025 movement in reserves also includes a contribution back to reserves from the Rolling Stock Programme of £5.726m.

## **6. TREASURY MANAGEMENT & CAPITAL STRATEGIES**

6.1. The Treasury Management Strategy appended to this report at Appendix 2 includes the Authority's approach to borrowing and cash management and the overall borrowing requirement of the Combined Authority.

6.2. The Capital Strategy appended to this report at Appendix 3 provides a high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the achievement of the Authority's priorities and service provision. It also provides an overview of how the associated risks are managed and the implications for future financial stability. The document provides an overview of the governance processes for approving and monitoring capital activity.

## **7. IMPACT AND IMPLICATIONS**

### **7.1 Equality and Diversity**

Members are reminded that under Public Sector Equality Duty, the Combined Authority has a duty to eliminate discrimination, advance equality of opportunity and foster good relations between people who share a protected characteristic and those who do not. Whilst the level of detail contained within this budget does not lend itself to a full appraisal of the operational implications with respect to equality

and diversity, it is possible that there could be resultant implications for people who share a protected characteristic, for example older disabled people.

Full equality impact assessments will be undertaken as part of the transformation and savings programme and any negative implications for any of the protected characteristics will be mitigated, where possible, subject to available resources.

## **7.2 Physical Assets**

This programme will provide resources to Merseytravel to undertake its asset management function in respect of the Mersey Tunnels and other Combined Authority assets.

## **7.3 Risks and Mitigation**

Both risks and mitigations are contained within the body of the report.

## **8. CONCLUSION**

- 8.1. The Liverpool City Region Mayoral Combined Authority Capital Programme includes a series of capital projects aligned to the Authority's key priorities within its overall budget for 2024/25.

JOHN FOGARTY  
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Services

MAYOR STEVE ROTHERAM  
Portfolio Holder for Policy, Reform and  
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## **Appendices:**

Appendix One - Detailed Capital Programme 2024/25

Appendix Two - LCRCA Treasury Management Strategy

Appendix Three - LCRCA Capital Strategy 2024/25

## **Background Documents:**

None