

Council

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Capital Strategy and Capital Programme 2015/20

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Purpose of Report

To set out the capital strategy for 2015/16 to 2019/20 and thereby the proposed 2015/16 capital programme including identified capital investment priorities, together with the indicative programme for 2016/20, having regard to the resources available for the five year life of the programme.

Executive Summary

The Council's Capital Strategy and Programme is for the first time set over a five year timeframe. The proposed Capital Strategy and Programme for 2015/16 to 2019/20 take the essential elements of the 2014/18 and previous year's strategies and programmes and moves them forward in the context of the financial and political environment for 2015/16.

The Council began its investment programme in 2012/13 to support a range of regeneration priorities and due to delays in the delivery of some schemes the programme has now been re-profiled. Given the size of this programme, it is the main focus of Council spending within the period covered by this capital strategy. The investment is mostly being financed or underwritten by prudential borrowing (pending confirmation of external funding). This requires revenue budget support including increasing income streams from new developments and the 2015/16 revenue budget has been prepared to accommodate this (with future years projected costs included in the Medium Term Financial Strategy).

Over recent years, Government grant funding for capital expenditure has generally been reducing as a result of the austerity agenda, however the downward trend has reversed somewhat in the last two years with the Council receiving the following allocations;

- Targeted Basic Need Grant
- Formulaic Education Basic Needs Grant
- Universal Infant Free School Meals Grant

- Disabled Facilities / Social Care Grant

The previously announced Education Basic Need Grant of £5.241m in 2015/16 and £5.504m in 2016/17 has been supplemented with the announcement on 12 February 2015 of an additional allocation of £15.405m for 2017/18.

Disabled Facilities/ Social Care (£1.550m in 2015/16) grants have also carried through to 2015/16 and beyond

The Government has on 23 December announced that it will be providing local authorities in England (not including London) with just under £6 billion for maintenance of local highways. Of this funding £4.7 billion will be allocated according to a needs-based formula, with £580 million to incentivise good asset management and efficiencies, and £575 million reserved for a challenge fund for large one-off maintenance and renewal projects; the deadline for bids being 9 February 2015. The needs based allocation is initially paid to the GMCA and then re-allocated; the Oldham share of this allocation is £12.801 million for the period 2015/16 to 2020/21.

Additional Universal Free School Meals funding in the sum of £210k for the provision of school kitchen works at Clarksfield and Broadfield primaries was announced in January 2015.

The Department for Education (DfE), on 9 February announced details of the Schools Condition Allocation Grant (SCA; formerly known as Education Capital Maintenance), the Oldham allocation for 2015/16 is £1.955m with advice that the confirmed allocation is indicative of what responsible bodies will receive in 2016/17 and 2017/18. Based on the assumption that some schools will become academies and associated funding will be withdrawn, £1.855m and £1.755m has therefore been included in each of the two following years. In addition, on the same date the Devolved Formula Capital (DFC) allocation for 2015/16 was confirmed as £452,338. No assumption has been made as to grant in future years

The Council submitted a bid to the second phase of the Priority Schools Build Programme (PSBP2) for Royton and Crompton, Greenfield and Clarksfield schools. In each case the schools require major investment to bring the fabric of the building up to standard. On 9 February the Government announced that the bid for Royton and Crompton had been successful. The precise level of funding available remains unconfirmed; the bids for the other two schools were not successful.

In preparing the 2015/20 Capital Strategy account has been taken to reflect local issues, the increase and change in the nature of Government funding and the continued uncertainty about the level of funding in future years. The principles of the Capital Strategy have therefore been prepared in the light of all available information. The strategy includes a list of areas for potential future investment subject to the availability of resources. Due to the review of capital spending that has taken place during 2014/15, there is a currently £3.532m of unallocated resources that are available to support priority schemes in the remainder of 2014/15 and into 2015/16. The Council is keen to maximise the use of the resources it has available and undertake targeted investment in priority projects.

The Capital Investment Programme Board (CIPB) will continue as an Advisory Board chaired by the Cabinet Member for Finance and HR acting in its role as the strategic lead for capital investment providing a coordinated approach to the capital investment programme. The CIPB will be supported in its work by the Strategic Regeneration Project Management Office which has improved the management and governance of strategic regeneration projects. The Capital Investment Programme Board will consider and recommend the appropriate allocation of the £3.532m during the remainder of 2014/15 and if appropriate into 2015/16.

In overall terms, the capital programme includes proposed expenditure for 2015/16 of £90.644m, with the largest area of expenditure being on development and infrastructure projects. Expenditure tapers to £51.189m in 2016/17, £29.305m in 2017/18 and £3.253m p.a. thereafter in each of the final two years of the programme.

The main sources of funding are prudential borrowing and Government grants. The programme in 2015/16 relies on £36.952m of prudential borrowing, with a further £9.245m being ear-marked to underwrite grant bids and external contributions and £9.267m of borrowing is financed by new income streams. In addition there is £20.026m of Government grants (and other contributions) and £12.054m of capital receipts (including an estimated £1.927 brought forward from the previous year). Future years are also heavily reliant on prudential borrowing and Government grants.

It is, however, likely that the capital position will change as:

- it is possible that there will be further Central Government funding allocations prior to the start of 2015/16
- the outcome of specific grant bids become known
- it is likely that there will be additional initiatives announced later in the financial year
- there may also be the opportunity to bid for additional funding, for example, for Regional Growth Funds and transport initiatives
- the Council may identify other funding sources including capital receipts to finance additional capital expenditure

Therefore the overall capital programme position will be kept under review and any new information about funding allocations will be presented to Members in future reports.

Recommendations

That Council approves the:

- Capital Strategy for 2015/20 at Appendix 1 of the report and summarised in section 2.1
- Capital Programme for 2015/16 and indicative programmes for 2016/17 to 2019/20 as set out in section 2.2 and Annex C of Appendix 1.

Capital Strategy and Capital Programme 2015/16 to 2019/20**1 Background**

- 1.1 The Council's Capital Strategy and Programme is for the first time set over a five year timeframe. The proposed Capital Strategy and Programme for 2015/16 to 2019/20 takes the essential elements of the 2014/18 and previous year's strategies and programmes and moves them forward in the context of the financial and political environment for 2015/16.
- 1.2 The four year investment programme began in 2012/13 to support a range of regeneration priorities and due to delays in the delivery of some schemes has been reprofiled to run to 2016/17 and 2017/18. Given the size of this programme, it is the main focus of Council spending within the period covered by this capital strategy. The investment is mostly being financed by prudential borrowing some of which requires revenue budget support and the 2015/16 budget has been prepared to accommodate this (with future years projected costs included in the Medium Term Financial Strategy). Other projects will be financed by new income streams. Whilst in the current financial climate this capital investment is a considerable sum, it reflects the Council's commitment to the regeneration of the Borough. The Capital Strategy is attached at Appendix 1 with the Capital Programme reflecting the principles of the strategy attached as Annex C of Appendix 1.
- 1.3 Over recent years, Government grant funding for capital expenditure has generally been reducing as a result of the austerity agenda and Councils have either had to finance capital expenditure from their own resources or curtail capital spending plans. The Government has also continued its policy of treating most grants as unringfenced, thus reflecting its preference that Councils have increased local freedom and flexibility in the use of capital resources (although some of the grants are awarded with an expectation of targeted spending). The availability and direction of Government resources therefore has a significant impact on the Capital Strategy and Programme of the Council.
- 1.4 The general downward trend in funding has been stemmed in recent years with the introduction of a number of funding initiatives, namely;
- Targeted Basic Need (TBN) grant, a Government initiative to fund a two year programme to address the increasing pressure on school places. The programme will see the expansion of four primary schools and the building of a new Special Academy. Funding totalling £9.476m has been provided across 2013/14 and 2014/15, with associated expenditure taking place in 2015/16.
 - Formulaic Basic Need, to create more school places up to 2017; £10.745m across 2015/16 and 2016/17 plus a further allocation of £15.405m that was announced on 12 February 2015, the final utilisation of the most recently announced grant is still to be determined.

- Universal Free School Meals for children in reception, Year 1 and Year 2 in state-funded schools; grant funding of £412k in 2014/15 and £210k for 2015/16 having been awarded.
- Better Care Funding covering Disabled Facilities Grant and a Social Care allocation totalling £1.550m in 2015/16. This is now a pooled budget linked into a joint programme of spending with the NHS.

1.5 The Government has on 23 December announced that it will be providing local authorities in England (not including London) with just under £6 billion for maintenance of local highways. Of this funding £4.7 billion will be allocated according to a needs-based formula, with £580 million to incentivise good asset management and efficiencies, and £575 million reserved for a challenge fund for large one-off maintenance and renewal projects; the authority has submitted a bid for funding amounting to £3.16m which if successful will require a council contribution of £840k. All needs based formula grant for GM authorities is initially allocated to the GMCA. The Oldham share of this allocation, extending one year beyond the life of the current programme is £12.801m as illustrated in the table below;

	£k
2015/16	2,452.5
2016/17	2,248.3
2017/18	2,180.3
2018/19	1,973.4
2019/20	1,973.4
2020/21	1,973.4
Total	12,801.3

- 1.6 The 2015/16 needs based allocation of £2.453m compares favourably with the 2014/15 allocation of £2.093m. It is currently assumed that GMCA will distribute the capital maintenance block in line with the Department for Transport (DfT) distribution and whilst Local Transport Plan funding is un-ringfenced, it comes with the expectation of both the Department for Transport and AGMA that it will be invested in delivering the Local Transport Plan strategy. As such the capital maintenance allocation for 2015/16 and subsequent years to 2020/21 will be passported for investment in and maintenance of Oldham's transport network.
- 1.7 The Department for Education, on 9 February announced details of the Schools Condition Allocation Grant (SCA; formerly known as Education Capital Maintenance), the Oldham allocation for 2015/16 is £1.955m with advice that the confirmed allocation is indicative of what responsible bodies will receive in 2016/17 and 2017/18. Assuming that some schools will convert to academies in 2016/17 and 2017/18 and that associated funding will be lost £1.855m and £1.755m has therefore been included in each of the two following years. It should be noted that award will be revised annually to reflect schools moving responsible body, opening or closing. In addition, on the same date the Devolved Formula Capital (DFC) allocation for 2015/16 was confirmed as £452,338, no assumption has been made as to grant in future years.

- 1.8 The Council submitted a bid to the second phase of the Priority Schools Build Programme (PSBP2) for Royton and Crompton, Greenfield and Clarksfield schools. In each case the schools require major investment to bring the fabric of the building up to standard. On 9 February the Government announced that the bid for Royton and Crompton had been successful, however the precise level of funding available remains unconfirmed; the bids for the other two schools were not successful and a local allocation of resources will be required to address these needs

2 Current Position

2.1 Capital Strategy

- 2.1.1 The overarching aim of the Oldham Capital Strategy is to provide a framework within which the Council's capital investment plans will be delivered. The plans are driven by the Corporate Plan (due to be refreshed early in 2015) which sets out the corporate objectives and all capital schemes should contribute to the achievement of these objectives.
- 2.1.2 The capital strategy must also align to the Council's Medium Term Property Strategy (MTPS) which is currently in the process of being updated to reflect the most recent service transformation changes and financial challenges. It sets out a framework for strategic management of the Council's land and property portfolio, reflecting corporate priorities, aims and objectives and driving transformational change in service delivery. Aligned to service priorities, individual schemes are included within approved capital spending plans or are to be considered for a resource allocation over the period of the capital strategy.
- 2.1.3 The revised MTPS will incorporate the Community Use of Assets Framework, reflecting statutory requirements and align to the Council's Co-operative ethos. In addition it will encompass the emerging Building Maintenance Policy which sets a clear process protocol prioritising assets closely aligned to future investment requirements.
- 2.1.4 The Council is currently reviewing the structure of the property function and anticipates making further changes which will improve the way in which the strategic property objectives can be delivered. This will enable the Council to accelerate progress and realise benefits within a shorter timeframe, whilst maximising regeneration and inward investment opportunities.
- 2.1.5 Oldham is part of the Greater Manchester Combined Authority (GMCA). The GMCA works alongside the GMLEP (Local Enterprise Partnership) and they jointly own the Greater Manchester Strategy (GMS), which sets out a series of priorities to secure sustainable economic growth for the benefit of the conurbation and its residents. GMCA is continuing to develop an investment framework that complements the Greater Manchester (GM) Strategy as a means of identifying GM investment priorities. It is clear that the Oldham capital strategy must be consistent with and aligned to the Greater Manchester strategy and investment framework in order to secure resources and maximise the impact of its own capital

investment. The Council's strategy has therefore been framed to complement the recently refreshed GM Strategy

- 2.1.6 The Government has advised that as a number of grant programmes distribute grants on the basis of bids as reward grants then it is unable to give access to all grant allocations in time for the preparation of the Capital Strategy. Government Departments will provide information of further grant allocations as they become available.
- 2.1.7 The Capital Investment Programme Board (CIPB) will continue in its role as an Advisory Board chaired by the Cabinet Member for Finance and HR to whom decision making powers are delegated by Council, in conjunction with the Executive Director, Economy and Skills and the Director of Finance.
- 2.1.8 The Council will continue to utilise the Strategic Regeneration Project Management Office (PMO) to improve the management and governance of strategic regeneration projects and support the CIPB in ensuring that there is a thorough examination of all key issues in relation to the delivery and financing of a project. The CIPB will consider Business Cases but having enhanced information from the PMO will help the CIPB make decisions based on more robust information.
- 2.1.9 In addition to prudential borrowing and Government grants, which together are the main financing source for the capital programme, the Council will, depending on the circumstances, consider using a range of resources and opportunities to finance capital expenditure and will continue to monitor the availability and suitability of alternative sources of financing. Financing decisions will, however, be made in the context of the schemes being considered for approval and the financial position of the Council at the time a decision is required.
- 2.1.10 Having regard to the above and other relevant issues, the key principles of the 2015/20 capital strategy are therefore summarised so that:
- 1) The CIPB will lead the strategic direction of capital investment for the Council operating on a commissioning basis and linking to regional strategies and programmes ensuring that the capital strategy reflects the Greater Manchester Strategy and links into those of other GM Authorities.
 - 2) The first call on capital resources will always be the financing of any over-programming from previous financial years.
 - 3) A capital project sponsor must be able to demonstrate that a rigorous process of options appraisal has been followed, requiring evidence of need, cost, risk, outcomes and methods of financing.
 - 4) All capital investment decisions will be made with reference to Council objectives and regional strategies and, only after a positive contribution to one or more of the objectives has been demonstrated, is a project to be considered for resource allocation.
 - 5) All non-ring fenced capital funding and other non-specific Council capital resources that are not required to support existing commitments will initially

be pooled into one central fund. Regard will however be had to obligations around the:

- transport agenda and transport grant funding
- funding of adaptations to homes for the disabled
- current pressure on primary places and the lack of capacity in the current stock and Government grant funding to address such issues
- Government initiatives to support universal free school meals for children in reception, Year 1 and Year 2 in state-funded schools
- 2015/16 Social Care funding allocation which is an element of the Better Care Fund pooled budget arrangements

Unringfenced grants will be passported in full to these five areas

- 6) Pooled corporate resources will be managed by the CIPB and it will review all bids for resources, evaluate them and then agree on the prioritisation of resources accordingly
- 7) The CIPB will also review any bids for and use of any ring fenced resources to ensure alignment with other spending plans and the maximisation of benefits to the Council and achievement of Council objectives
- 8) The CIPB will recommend the use of both unringfenced and ring fenced resources and also the general prioritisation of resources
- 9) There will be no ring fencing of capital receipts to specific projects with the exception of the:
 - Building Schools for the Future programme, where the ring fencing principle has previously been approved as part of project viability
 - Equity Loan Initiative which was established when Housing Market Renewal (HMR) resources were ring fenced to the HMR programme.
 - Saddleworth School as part of the Priority Schools Build Programme
- 10) Building upon established good practice and the successful exercises undertaken in earlier financial years, the CIPB will initiate periodic reviews of the capital programme.
- 11) All resources reprioritised that remain unallocated within 2014/15 will be treated as though they are fully committed in 2014/15 or carried forward into 2015/16 as a central pool for reallocation to other projects.
- 12) As well as using traditional funding mechanisms to fund capital schemes, the Council will also consider the use of new initiatives and develop these options if it is considered financially advantageous in the context of the Council achieving its capital investment objectives
- 13) Any future Public Private Initiatives e.g. BSF/ PFI requiring the deployment of Council capital resources or impacting in any way on the overarching capital investment policies or plans of the Council should be presented for consideration to the CIPB. The resources deployed to support such projects will also be subject to the on-going review of the CIPB.

- 14) The Government is likely to introduce a range of grant funding opportunities for which bids must be submitted at short notice. The Council will respond as it considers appropriate ensuring that such bids that are submitted align with its objectives and capital investment priorities and that any matched funding requirements are considered on a scheme by scheme basis with resource requirements prioritised accordingly.
- 15) The Council has a number of capital investment priorities. Whilst these are initially set on an annual basis, it will review and update the priorities in accordance with in-year developments responding to local and national emerging issues.

The priorities for 2015/16 to 2019/20 are set out below with greater detail included in the Capital Strategy document at Appendix 1 (section 3):

a) Continuation Funding

There are requirements for continued funding of existing programmes of work for Corporate Major Repairs /Disability Discrimination Act (DDA) Adaptations/ Legionella / Health and Safety Projects (Corporate Landlord Function) and School Condition Works. Therefore an initial funding allocation (including the recently announced School Condition Allocation) of £4,054k has been made in 2015/16 with a further £3,355k in 2016/17, £2,255k in 2017/18 and £500k p.a. thereafter to cover these works. In addition CIPB has recommended, as a priority, that the first call on any future underspends identified within the programme are also applied to support expenditure on the works outlined above.

b) New Projects

New projects for which funding may be required and for which funds could be allocated are as follows:

- School Capacity
- Priority School Building Works- Royton and Crompton School
- Greenfield Primary
- Clarksfield Primary
- Targeted Basic Need Initiative
- Schools kitchen extensions
- Low Carbon and Energy Efficiency Initiatives
- AGMA Green Deal Scheme
- AGMA Growing Places Loans
- Werneth Music Rooms
- Foxdenton
- Former School Sites
- Town Centre Regeneration
- Borough Wide Regeneration
- Housing projects in support of Government housing initiatives
- Supported housing for adults with complex learning disabilities
- Equity Home Loans
- Adult Social Care
- Car Parking

- Matched Funding for Grant Bids

2.1.11 The changes in Government policy with regard to the financing of major capital programmes and the unringfenced label being applied to funding but carrying an expectation that the resource will be used for the purpose it was issued, together with the limited ability of the Council to finance any further capital investment from its own resources, makes it difficult to plan for new investment over the medium to longer term. Resources that are available are therefore being deployed not only to meet corporate priorities but to meet the aspirations of residents.

2.2 Capital Programme

2.2.1 The Council is required to set out its capital programme for the period 2015/20 based on the principles of the capital strategy (as set out above and in Appendix 1). A five year timeframe for the capital programme has been presented. The Capital Programme and Strategy has at this stage been prepared on the basis of grants known at the time of preparation (Mid February 2015). If additional resources become available, projects that meet the Council's strategic capital objectives will be brought forward for approval.

2.2.2 Clearly, the programme for 2015/16 is influenced by the performance of the capital programme for 2014/15. A review has taken place of the planned spending in 2014/15 and the programme has been reprofiled as necessary. An update on the 2014/15 capital programme is set out below.

Update on the 2014/15 Capital Programme

2.2.3 The capital programme for 2014/15 was approved at the Council meeting of 5 March 2014, with expenditure of £113.526m and supporting financing, this was supplemented by slippage of £34.556m from the previous year and has subsequently been amended month on month to reflect agreed changes, this includes the 2014/15 Annual Review of the capital programme, a comprehensive project by project scrutiny of the capital programme conducted over the summer/autumn months.

2.2.4 The capital programme for 2014/15 to 2017/18 (month 8) was approved at the Cabinet meeting on 16 February 2015. At which, in overall terms, spending for 2014/15 was estimated to total £88.951m with corresponding financing of £90.878m, any surplus generated from excess receipts will be used to finance deficits in later years. Development and infrastructure projects constituted the major area of expenditure and prudential borrowing was the main source of financing (£37.601m).

2.2.5 The Capital Strategy has been prepared to balance to the information contained in the month 8 monitoring report but also to reflect more recent developments. The most up to date 2014/15 capital programme estimates revised total expenditure of £89.796m together with corresponding financing of £91.723m, allowing resources of £1.927m to be carried forward. The last approved and the current re-profiled programmes are set out in Table 1 below.

Table 1 Revised 2014/15 Capital Programme

Directorate	Capital Programme as at M08	New schemes/ Variations	Reprofiled Programme for Strategy
	£k	£k	£k
<u>Expenditure</u>			
Neighbourhoods	22,333	420	22,753
Commissioning	1,265	0	1,265
Commercial Services	24,000	545	24,545
Development and Infrastructure	37,601	0	37,601
Deputy Chief Executive/ Corporate	100	0	100
Yet to be Allocated	3,652	(120)	3,532
Total Expenditure	88,951	845	89,796
<u>Resources</u>			
Grants & Other Contributions	(25,495)	(595)	(26,090)
Prudential Borrowing	(45,671)	10,150	(35,521)
Revenue	(7,005)	(10,400)	(17,405)
Capital Receipts Required	(10,780)	0	(10,780)
Total Resources	(88,951)	(845)	(89,796)
Capital Receipts Available	(12,707)		(12,707)
Expenditure to be funded from capital receipts	10,780		10,780
Over programming/ (Carry Forward) Position	(1,927)		(1,927)

2.2.6 As referred to at 2.2.3 above, Members will recall that there has been a review of the capital programme during 2014/15 undertaken as in previous years to ensure that planned expenditure was still relevant and that projects were aligned with corporate objectives. In addition the review for 2014/15 was tasked with delivering a £10m reduction in the current year's programme. The proposed capital programme for 2014/15 (and future years) reflects the results of the review, which delivered a reduction in spending of £12.047m.

2.2.7 It is anticipated that the position will change with amendments reviewed by the CIPB and approved under delegated authority as a result of the on-going monitoring process.

The 2015/16 to 2019/20 Capital Programme

2.2.8 The table below sets out the summary of the anticipated expenditure (£90.644m for 2015/16) and available financing of £88.144m. The detailed programme is set out at Annex C of Appendix 1 on a Portfolio basis. The over programming in 2015/16 is balanced over the life of the capital programme.

Table 2 - Capital Proposals for 2015/16 to 2019/20

Proposed Capital Spending	2015/16 £000	2016/17 £000	2017/18 £000	2018/19 £000	2019/20 £000
Neighbourhoods	7,812	3,051	2,380	2,173	2,173
Commissioning	1,950	400	400	400	400
Commercial Services	19,058	10,466	17,840	680	680
Development and Infrastructure	61,824	37,272	8,685	0	0
Deputy Chief Executive/ Corporate	0	0	0	0	0
Total Expenditure	90,644	51,189	29,305	3,253	3,253
Total Funding	(88,144)	(53,683)	(29,311)	(3,253)	(3,253)
Balance of Resources available by year – Over/(Under) programming	2,500	(2,494)	(6)	0	0
Cumulative balance of resources – Over/(Under)	2,500	6	(0)	(0)	(0)

2.3 Resources Available to Support the Capital Programme

2.3.1 The level of Government resources seen in the last few years remains buoyant with a number of grants having been announced in January and February 2015. The main source of grant income remains education related with the receipt of Formulaic Basic Need funding totalling £26.15m for the period 2015/16 to 2017/18 together with the remainder of the Targeted Basic Need funding of £2.868m now being applied in 2015/16. Further education related grants in the form of School Condition Allocation grant; £5.565m for the period 2015/16 to 2017/18 and Devolved Formula Capital of £452k in 2015/16. In addition highways maintenance funding of £2.453m has also been confirmed for 2015/16. The resources available to support the programme are described in the following section.

Government Grant Funding

2.3.2 The Government resources available to the Council can be split into two categories; non-ring fenced and ring fenced resources as explained in Section 5 of the Capital Strategy.

2.3.3 Some Government grant resources have been moved between financial years in order to support reprofiled expenditure. Table 3 summarises the level of non ringfenced Government resources available in 2015/20 and future years with Table 4 presenting ringfenced resources.

- **Non Ring-fenced Grants**

The 2015/16 allocations that the Council has had confirmed at this time are:

- Education Basic Need allocations of £5.241m in 15/16 and £5.504m in 2016/17, as notified on 18 December 2013, supplemented by the announcement on 12 February 2014 of an allocation of £15.405m for 2017/18.
- Department of Transport (DfT) grant for Local Transport Funding has been confirmed as £2.453m for 2015/16. The funding is notionally allocated at an individual authority level but paid to the Greater Manchester Combined Authority, which determines the distribution of resources across the 10 Greater Manchester Local Authorities and Transport for Greater Manchester. It is currently assumed that the Council will receive its full allocation.
- The Department of Health has established a Better Care Fund for 2015/16. This will include the Councils Disabled Facilities Grant allocation which has been notified as £925k; it also incorporates a Social Care funding allocation of £625k.
- Department for Education grant to support free hot school meals for pupils in reception and years 1 and 2; £210k in total for kitchen works at Greenfield and Broadfield primaries.
- Department for Education Schools Condition Allocation Grant (SCA) (formerly known as Education Capital Maintenance) for 2015/16 is £1.955m with advice that the confirmed allocation is indicative of what responsible bodies will receive in 2016/17 and 2017/18, £1.855m and £1.755m respectively has therefore been included in each of the two following years.

Other grant notifications may be forthcoming in the coming months. In addition to specific 2015/16 grants, the programme relies on a range of grants carried forward from 2014/15 to support the overall level of planned spending, including those for which there are new allocations in 2015/16.

Table 3 - Non Ring-fenced Grants

	2015/16 £000	2016/17 £000	2017/18 £000	2018/19 £000	2019/20 £000
Basic Need Capital Grant	(5,241)	(5,504)	(15,405)	0	0
Disabled Facilities Grant	(925)	0	0	0	0
Social Care Reform Grant	(625)	0	0	0	0
LTP Highway Maintenance Grant	(2,453)	(2,248)	(2,180)	(1,973)	(1,973)
Universal Infant School Meals (Kitchens)	(210)				
School Condition Allocation	(1,955)	(1,855)	(1,755)		
Un-Ring-fenced Grant brought forward from prior years	(1,432)	(375)	0	0	0
TOTAL	(12,841)	(9,982)	(19,340)	(1,973)	(1,973)

- **Ring-fenced Specific Grants**

The Council has been notified by the DfE of the 2015/16 allocation of Devolved Formula Capital in the sum of £452k, to date this is the only new ring fenced allocation that has been released and has been added to the amount brought forward from 2014/15 in the table below. With this exception Table 4 therefore consists solely of prior year allocations that have been re-profiled into 2015/16, including £2.868m for Targeted Basic Need, which needs to be fully spent by 31 August 2015.

2.3.4 Members will, however, recall that there is a statutory requirement for Local Transport Authorities to prepare a Local Transport Plan (LTP) every five years and to keep it under review. The preparation of the fourth Greater Manchester Local Transport Plan (GMLTP4) is underway, and will include a long-term transport strategy for Greater Manchester (to 2040) and a 5-year spending plan commencing in 2015/16. The Council receives grant funding from the LTP from the wider Greater Manchester allocation, which comes with a national and regional expectation that it will be used for LTP purposes. As previously highlighted in section 1.6 and 1.7 Oldham has been allocated an indicative settlement of £2.453 million for 2015/16. Whilst LTP funding is non ring-fenced, the DfT and the GMCA both have an expectation that it will be invested in delivering the Local Transport Plan strategy. The Council's strategy is to passport transportation grant funding to support the LTP programme.

2.3.5 In addition, the strategy of the Council is to passport other Government unringfenced grant to services namely, DFG, Education Basic Need, universal infant free school meal provision, School Condition Allocation Grant (formerly Education Capital Maintenance) and Better Care (Social Care) grant, thus explaining inclusion in table 3 as opposed to 4.

Table 4 - Ring-fenced Specific Government Funding for 2015/20

	2015/16 £000	2016/17 £000	2017/18 £000	2018/19 £000	2019/20 £000
Cycle City Ambition Grant	(120)	0	0	0	0
Devolved Capital (inc. carry forward)	(1,202)	0	0	0	0
DfT - Better Bus Area Fund	(1)	0	0	0	0
GM Casualty Reduction Fund	(80)	0	0	0	0
Integrated Children's Services Grant	(1)	0	0	0	0
Targeted Basic Need Grant	(2,868)	0	0	0	0
Revenue Contribution to Capital Outlay - Individual Schools Budget	(12)	0	0	0	0
TOTAL	(4,284)	0	0	0	0

2.3.6 The resources available can also be split between those which have no revenue consequences which need to be funded via the revenue budget, and those with revenue consequences.

No Revenue Consequence

- Government Grants and other external grants and contributions

This is funding provided directly by Government or other external providers. This can be ring fenced specific and non ringfenced. All Government funding is now via direct grant. In addition to the Government grants identified in tables 3 and 4 it is anticipated that funding of £2.901m in 15/16 and £4.607m in 2016/17 will be received from other sources.

- Capital Receipts

This is money received from the sale of Council assets and is usually non ring fenced, for 2015/ 20 it includes estimated income from right to buy receipts, the FCHO VAT shelter arrangement and the commencement from 2017/18 of the repayment of maturing Local Authority Mortgage Scheme (LAMS) indemnities. The 2015/16 capital programme requires £14.554m of capital receipts; exceeding the estimated actual income (including brought forward from 2014/15). The resultant over programming of £2.5m is carried forward into 2016/17 where sufficient receipts are available to finance the prior year shortfall and meet the in-year requirement. In general it should be noted that a prudent approach is taken in relation to the anticipated level of receipts with no resources anticipated in excess of the requirement to support already approved schemes. This is because the property market, whilst improving remains generally depressed which impacts on the:

- i) ability of the Council to sell assets within the timescale anticipated
- ii) level of receipt that can actually be generated, which may be less than originally expected

With Revenue Consequences

- Prudential Borrowing

This is borrowing undertaken by the Council for specific projects. It is financed by revenue resources and is entirely at the discretion of the Council. Prudential borrowing has been used to support the major investment programme which could not otherwise have been funded.

The 2015/16 programme estimates outright prudential borrowing of £36.952m used to finance a range of schemes, predominantly in relation to development and infrastructure activities. In addition prudential borrowing has in the first instance been applied to underwrite grant applications and other contributions including anticipated fundraising receipts (£9.245m) and therefore may not be required. A further tranche of borrowing is financed by new operational annual income streams associated with specific revenue generating regeneration schemes (£9.267m).

2.3.7 Table 5 sets out the overall level of available resources by category for the period 2015/20. This shows that in total, funding for the capital programme in 2015/16 is £88.144m with the majority of funding being the various categories of prudential borrowing referred to above. There is £20.026m of Government grant funding and

other contributions and there is an estimated income of £12.054m from planned capital receipts, which includes £1.927m brought forward from 2014/15

Table 5 – Total Resources Available for the Capital Programme

	2015/16 £000	2016/17 £000	2017/18 £000	2018/19 £000	2019/20 £000
No Revenue Consequences					
Capital Receipts	(10,127)	(6,217)	(1,286)	(1,280)	(1,280)
Grants and Other Contributions	(20,026)	(14,589)	(19,340)	(1,973)	(1,973)
Council Resources Carried Forward	(1,927)	0	0	0	0
Total No Revenue Consequences	(32,080)	(20,806)	(20,626)	(3,253)	(3,253)
With Revenue Consequences					
Prudential Borrowing - underwriting expected grants and contributions and fundraising	(9,245)	(2,500)	0	0	0
Prudential Borrowing financed by New income streams	(9,267)	(21,033)	0	0	0
Prudential Borrowing Required	(36,952)	(9,344)	(8,685)	0	0
Other Revenue Contributions	(600)				
Total With Revenue Consequences	(56,064)	(32,877)	(8,685)	0	0
TOTAL	(88,144)	(53,683)	(29,311)	(3,253)	(3,253)

2.3.8 As in previous years the major source of financing remains prudential borrowing, the amount required includes borrowing attributed to schemes that have slipped from prior years. The Council will look to reduce the amount of borrowing by maximising grant income, optimising income from capital receipts and the utilisation of reserves and provisions to deliver a revenue saving in relation to the cost of borrowing. As previously indicated some borrowing will be financed by increased income and revenue streams generated at the point the projects are completed and become operational. In addition, the timing of the borrowing is linked to the cash position of the Council and may therefore not mirror the spending/ financing profile set out above. No new borrowing has yet been undertaken.

2.4 Capital Requirements for 2015/16

Resources that have been Committed in 2015/16 to 2019/20

2.4.1 A review of the capital programme and capital plans has highlighted that there is already a full range of commitments for 2015/20 and future. As a consequence, these commitments utilise all of the capital resources available for 2015/16. The existing capital commitments are set out in the follow paragraphs and are shown in detail at Annex C of Appendix 1 of this report.

Neighbourhoods

2.4.2 Total projected spending on Neighbourhoods projects in 2015/16 is £7.812m over the following areas:

Transport Schemes – Government Grant Funded

2.4.3 Grant funding of £2.453m has been notified for 2015/16 as highlighted earlier, in accordance with an agreement between the DfT and the GMCA

Transport Schemes – Other

2.4.4 Funding of £1.462m has been made available for fleet management over the financial years 2015/16 to 2019/20.

2.4.5 There are a range of other transport related projects within the 2015/16 capital programme totalling £2.738m. With the exception of £1m specifically allocated in 2015/16 to meet priority objectives to support the priority highways maintenance, all the schemes are re-profiled from 2014/15.

Other Neighbourhoods Schemes

2.4.6 There is a total of £1.159m of other Neighbourhoods projects included in the 2015/16 capital, examples include:

- £200k p.a. over the life of the programme to finance a District Investment Fund to facilitate the initiating of a range of projects in District Partnership areas.
- £145k to finance Neighbourhood Development initiatives in Shaw and Lees
- Private sector housing which covers equity home loans at £350k in 2015/16 and a further £503k in 2016/17 financed by capital receipts.

Commissioning Services

2.4.7 Projected spending on Commissioning Services of £1.950m in 2015/16 is focussed on Social Care. There is:

- Funding of £925k relating to disabled facilities grant.
- Resources of £400k to support local adult social care schemes.
- Social Care funding totalling £625k linked to Better Care Fund (BCF).

Commercial Services

2.4.8 Total projected spending on Commercial Services projects in 2015/16 is currently £19.058m covering:

Corporate Landlord

This encompasses a range of schemes:

- Resources available for major repairs/DDA and school condition works have initially been set at £4.054m in 2015/16.
- Schools related expenditure of £11.579m in 2015/16 covering
 - Education premises expenditure of £365k

- Targeted Basic Need expenditure of £2.868m
- School extensions, including the new 3FE school at £6.303m
- Devolved Formula Capital expenditure brought forward from 2014/15 of £750k, plus a 2015/16 allocation of £452k
- Works to Royton and Crompton School of £1.083m
- Grant funded works to school kitchens amounting to £210k

ICT

ICT related expenditure in 2015/16 encompasses:

- £2.177m for the roll out of the ICT investment programme
- £50k for the provision for an Asset Management Database to capture and analyse the information obtained as part of the property condition surveys. The aim of this database is to enable maintenance funding to be focused on the buildings with greatest need.
- £160k on the IT server refresh programme in line with the ICT contract with the Unity partnership
- £20k expenditure on ensuring the Council complies with the Government Connect initiative requirements

These latter two projects being contractual commitments are financed across all years of the capital programme.

Development and Infrastructure

2.4.9 There is planned expenditure of £61.824m in 2015/16 predominantly relating to the schemes financed by the ongoing major capital investment programme covering:

- Town centre regeneration of £39.312m including the Old Town Hall, Hotel Future and Heritage Centre/Coliseum projects
- Other priority regeneration schemes including Alexandra Retail Park, Hollinwood/Langtree and development of Foxdenton totalling £0.947m
- Leisure estate at £13.240m
- The strategic regeneration and acquisitions programme at £4.852m
- Royton Town Hall and Town Centre investment at £2.064m
- Resources of £1.298m to support the provision of the new Saddleworth school (There is a further £700k planned spend in 2016/17)
- Corporate Property Legislative works at £0.111m

2.5 Proposed Capital Programme

2.5.1 Annex C of Appendix 1 of this report details the proposed 2015/16 capital programme and the indicative programme for the period 2016/20. The strategy of the Council is to prepare a capital programme that balances over the life of the programme and resources therefore equal overall expenditure. There is currently an unallocated resource of £3.532m in 2014/15, the use of which will be prioritised by the CIPB during the year and if applicable carried forward into 2015/16. There are no unallocated resources in the proposed 2015/20 capital programme/strategy.

2.5.2 Total expenditure is planned in 2015/16 at £90.644m with over programming of £2.500m balanced over the life of the strategy/programme. However, the position will evolve as:

- there may be further Central Government funding allocations prior to the start of 2015/16
- it is also likely that there will be additional initiatives announced later in the financial year
- there may also be the opportunity to bid for additional funding, for example, for Regional Growth Funds
- the Council may identify other funding sources including capital receipts to finance additional capital expenditure

2.4.3 Therefore the overall capital programme position will be kept under review and any new information about funding allocations will be presented to Members in future reports.

3 Options/Alternatives

3.1 Members may choose to revise the proposed capital strategy and capital programme and suggest an alternative approach to capital investment including the revision of capital priority areas.

4 Preferred Option

4.1 The preferred option is that Council accepts the capital strategy and programme set out in the report including priority proposals and to thus approve the proposed capital strategy and programme for 2015/16 and an indicative programme for 2016/20.

5 Consultation

5.1 Consultation has taken place with the members of the CIPB which includes Cabinet Members. Members of the CIPB have contributed to the preparation of the 2015/20 capital strategy and capital programme, including formal consultation with a sub-group of the CIPB which took place on 10 December 2014 and again at a full meeting on 22 December 2014. The programme and strategy was considered at Overview and Scrutiny Performance and Value for Money on 22 January 2015 and Cabinet on 16 February 2015.

6 Financial Implications

6.1 By the very nature of the report, it contains financial details of the capital expenditure and financing associated with the delivery of the 2015/16 capital programme.

6.2 As the Government now only funds capital expenditure by grant, there are now no more supported or unsupported borrowing approvals which means that any revenue implications of Government borrowing will therefore relate to historic debt incurred in 2010/11 and earlier years. This is already budgeted for. The revenue budget for 2015/16 has been prepared to include the financing costs of anticipated prudential borrowing.

7 Legal Services Comments

- 7.1 Under the Local Authorities (Functions and Responsibilities) (England) Regulations 2000 the responsibility for approving any plan or strategy for the control of local authority borrowing, investment or capital strategy or for determining the minimum revenue provision is a decision of the full Council. The function of the Executive is to prepare and propose the relevant strategy to the Council. The Council may require the Cabinet to reconsider, amend, modify, revise, vary, withdraw or revoke the strategy.

8 Cooperative Agenda

- 8.1 The capital strategy and programme have been prepared so that they embrace the Council's cooperative agenda with resources being directed towards projects that enhance the aims, objectives and cooperative ethos of the Council.

9 Human Resources Comments

- 9.1 None

10 Risk Assessments

- 10.1 The main risk foreseen at this stage is whether the planned level of capital receipts can be achieved to finance the current programme. Clearly given the current economic climate, the sale of property has become more difficult and the level of receipts that can be generated has reduced, often below originally planned levels. In order to minimise the risk, a prudent estimate of capital receipts has been made having regard to the prevailing economic climate which may have an impact on both the timing and level of receipts that can be achieved. The overall level of capital receipts is therefore kept under review and any significant changes are reflected in capital programme forecast outturn figures.
- 10.2 The actual and potential revisions to Government policy presents new risks and the Council must ensure that these are successfully managed, over and above those that are a consequence of any traditional capital programme. In particular these cover risks around expenditure that has already been committed in future years where there is no certainty of continued funding, potential unfunded on-going legal liabilities, potential overspending requiring an unbudgeted allocation of resources and the general risk around the uncertainty over the nature and level of the 2015/16 and future years' capital funding.

11 IT Implications

- 11.1 Other than the implications of the specific IT projects being put forward there are no IT implications. The extensive programme of ICT investment contained within the programme will enable the Council to transform many of its operations and introduce new ways of working. This will contribute to the achievement of existing savings targets and enable the Council to make further efficiencies.

12 Property Implications

- 12.1 The level of capital receipts generated from reductions in the corporate estate and asset rationalisation programme underpins the financing of the capital programme. Every effort will be made to maximise capital receipts but also achieve best consideration.
- 12.2 Any proposed new capital projects and capital programme developments will be considered and reviewed in the context of the Medium Term Property Strategy.

13 Procurement Implications

- 13.1 None at this stage.

14 Environmental and Health & Safety Implications

- 14.1 The Capital Programme contains resources that will enable corporate health and safety, legionella, asbestos and Disability Discrimination Act projects to be undertaken in accordance with identified priorities.

15 Equality, community cohesion and Crime Implications

- 15.1 None

16 Equality Impact Assessment Completed?

- 16.1 Not applicable

17 Key Decision

- 17.1 Yes

18 Forward Plan Reference

- 18.1 CFHR-21-14

19 Background Papers

- 19.1 The following is a list of background papers on which this report is based in accordance with the requirements of Section 100(1) of the Local Government Act 1972. It does not include documents which would disclose exempt or confidential information as defined by the Act:

File Ref:	Background papers are provided in Appendix 1 to the report
Officer Name:	Anne Ryans
Contact No:	4902

20 Appendices

Appendix 1	Capital Strategy 2015/2020
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