

**Report to COUNCIL**

# **Capital Strategy and Capital Programme 2016/21**

**Portfolio Holder:** Councillor Jabbar, Cabinet Member for Finance and HR

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## **Reason for Decision**

To set out the Capital Strategy for 2016/17 to 2020/21 and thereby the proposed 2016/17 Capital Programme, including identified capital investment priorities, together with the indicative Capital Programme for 2017/21, having regard to the resources available for the five year life of the Programme.

## **Executive Summary**

The Council's Capital Strategy and Capital Programme are again set over a five year timeframe.

The proposed Capital Strategy and Programme for 2016/17 to 2020/21 takes the essential elements of the 2015/20 and previous years' strategies and programmes and moves them forward in the context of the financial and political environment for 2016/17.

In 2012/13 the Council began its investment programme 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 the regeneration programme, it is the main focus for Council spending within the period covered by this Capital Strategy. 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. The 2016/17 revenue budget has been prepared to accommodate this with future years' projected costs included in the Medium Term Financial Strategy.

The general downward trend in funding has been stemmed in recent years with the introduction of a number of new funding opportunities, some of which carry through to 2016/17 and beyond:

- Basic Need Formula funding, to create more school places up to 2017; £5.504m in 2016/17 plus a further allocation of £15.405m that was announced on 12 February 2015. The full utilisation of the later tranche of this grant is still to be determined.
- The Social Care Reform Grant will not continue in 2016/17. However the Department of Health has, on 10<sup>th</sup> February 2016 confirmed Better Care Funding in the form of the Disabled Facilities Grant (DFG) amounting to £1.618m for 2016/17, in total more than compensating for the cessation of the aforementioned grant. As in 2015/16 it remains a pooled budget linked into a joint programme of spending with the NHS. There is an additional Council-funded top-up of £0.400m in each of the years of the programme for DFG and adult social care related spending.

On 23 December 2014 the Government announced that it would be providing local authorities in England (excluding London) with just under £6 billion for maintenance of local highways. Of this funding £4.7 billion was allocated according to a needs-based formula. The allocation will initially be paid to the Greater Manchester Combined Authority and then re-allocated. The Oldham share of this allocation is £10.349 million for the period 2016/17 to 2020/21.

The Council has also successfully bid during 2015/16 for a number of highways and transport-related grants:

- Challenge Funding amounting to £3.160m, payable over the three years commencing 2015/16, with allocations of £1.732m in 2016/17 and £0.906m in 2017/18. In total this funding requires a Council contribution of £0.840k.
- Local Growth and Reform (Round 2) Funding, the total award of £4.970m was announced in August 2015 and initially allocated as follows: £0.830m in 2015/16, £2.640m in 2016/17 and £1.500m in 2017/18. Of the total grant £4.500m has been allocated to works that form part of the ongoing town centre regeneration schemes.
- Flood Management Funding from the Environment Agency for 2015/16 and 2016/17 totalling £0.500m. The 2016/17 allocation is £0.185m; a requirement for matched funding of £0.065m has been committed within the Programme.

In February 2015 the Department for Education announced details of the Schools Condition Allocation Grant, the Oldham allocation for 2015/16 was £1.955m with indicative allocations given for the following two years. February 2016 saw formal confirmation of the 2016/17 allocation at £1.860m. Once again the most recent allocation is to be taken as indicative of the likely award in the following year. Assuming that further Oldham schools

will convert to academies and that associated funding will be lost, £1.755m has been included in 2017/18. At the same time the Department has also notified the Authority of the 2016/17 School's Devolved Formula Capital (DFC) funding amounting to £0.430m.

The Council's bid to the second phase of the Priority Schools Build Programme (PSBP2) in relation to Greenfield and Clarksfield schools was unsuccessful. In February 2015 the Government announced that the bid for Royton and Crompton had been 'partially' successful. The precise level of funding available remains unconfirmed. Meetings are ongoing with the Education Funding Agency (EFA) to agree the scope of this project. The latest position is that the EFA will be carrying out further feasibility works over the period April 2016 – June 2016, as a result of which they will be making recommendations as to the scope of works. A local allocation of resources will be required over and above the Government funding.

In preparing the 2016/21 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 2015/16, there is currently £0.902m of unallocated resources that are available to support priority schemes in the remainder of 2015/16 and into 2016/17 and £4.5m of revenue resources from 2015/16 available in 2016/17. 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 the role of strategic lead for capital investment and providing a coordinated approach to the capital investment programme. The CIPB will continue to be supported in its work by the Strategic Regeneration Project Management Office which oversees the management and governance of strategic regeneration projects. The CIPB will consider and recommend the appropriate prioritisation of any unallocated resources during the remainder of the 2015/16 financial year and, if appropriate, into 2016/17.

In overall terms, the Capital Programme includes proposed expenditure for 2016/17 of £80.545m, with the largest area of expenditure being on development and infrastructure projects within Economy and Skills. Expenditure reduces slightly to £78.009m in 2017/18, falling sharply to £7.144m in 2018/19, £4.107m in 2019/20 and £3.322m in the final year of the current programme.

The main sources of funding are prudential borrowing and Government grants. The programme in 2016/17 relies on £27.070m of prudential borrowing, with a further £9.440m being ear-marked to underwrite grant bids. In addition there is £24.785m of Government grants (and other contributions), £10.875m of capital receipts (including an estimated £4.352m brought forward from the previous year) and a contribution of £7.152m from revenue resources. Future years are also predominantly reliant on prudential borrowing and Government grants.

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

- it is possible that there will be further Government funding allocations prior to the start of 2016/17.
- the outcome of specific grant bids will 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 e.g. 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.

The Capital Strategy and Capital Programme for 2016/17 to 2020/21 were subject to scrutiny by the Overview and Scrutiny Performance and Value for Money Select Committee at its meeting of 21 January 2016. This provided Committee Members with the opportunity to ask questions and test the assumptions upon which the Capital Strategy and Programme are based. The Select Committee was content to recommend the Capital Strategy and Programme to Cabinet, who approved the report at its meeting on 11 February and commended the report to Council.

## **Recommendations**

That Council approves:

- i) The Capital Strategy for 2016/21 at Appendix 1 of this report and summarised at section 2.1.
- ii) The Capital Programme for 2016/17 and indicative programmes for 2017/18 to 2020/21 at Annex C of Appendix 1 and summarised at section 2.2 of this report.

## Capital Strategy and Capital Programme 2016/21

### 1. Background

- 1.1 The Council's Capital Strategy and Capital Programme are set over a five year timeframe. The proposed Capital Strategy and Capital Programme for 2016/17 to 2020/21 takes the essential elements of previous capital strategies and programmes and moves them forward in the context of the financial and political environment for 2016/17 onwards. The Capital Strategy is attached at Appendix 1, with the Capital Programme, which reflects the principles of the Strategy, attached as Annex C of Appendix 1.
- 1.2 The Council's investment programme to support a range of regeneration priorities was initiated in 2012/13 and, due to delays in the delivery of some schemes, has been re-profiled to 2017/18. Given the scale of investment, regeneration forms the main focus of Council spending within the period covered by this Capital Strategy. This investment is mostly being financed by prudential borrowing, some of which requires revenue budget support. The 2016/17 budget has been prepared to accommodate this, with future years' projected costs included in the Medium Term Financial Strategy. Other regeneration 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.
- 1.3 Prior to 2015/16, Government grant funding for capital expenditure had 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 the majority of capital grants as un-ringfenced, reflecting its preference that Councils have increased local freedom and flexibility in the use of capital resources (although some of grants are awarded with an expectation of targeted spending). The availability and direction of Government resources still has a significant impact on the Council's Capital Strategy and Capital Programme.
- 1.4 The general downward trend in funding has been stemmed in recent years with the introduction of a number of new funding initiatives, some of which carry through to 2016/17 and beyond. Grants have been awarded for Education, Social Care and Schools projects:
- Education Basic Need Funding - to create more school places up to 2017; Funds awarded are £5.504m in 2016/17 plus a further allocation of £15.405m announced in February 2015. The full utilisation of the latest tranche of the grant is still to be determined.
  - The Social Care Reform Grant will not continue in 2016/17. However the Department of Health has, on 10 February 2016 confirmed Better Care Funding in the form of the Disabled Facilities Grant amounting to £1.618m for 2016/17, in total more than compensating for the cessation of the

aforementioned grant. As in 2015/16 it remains a pooled budget linked into a joint programme of spending with the NHS.

- 1.5 Mindful of the continued demand pressures faced by Adult Social Care services, in addition to the funding received through the expanded Disabled Facilities Grant, the Capital Programme for 2016/17 again includes a £400k general Adult Social Care provision which can be utilised in accordance with need in this area to further integrate health and social care which may require a call on capital expenditure.

### **Transport**

- 1.6 In December 2014 the Government announced funding of just under £6 billion nationally for maintenance of local highways. Of this funding £4.7 billion will be allocated according to a needs-based formula to the Greater Manchester Combined Authority (GMCA). It is assumed that GMCA will distribute the funding in line with the Department for Transport (DfT) distribution. Whilst Local Transport Plan funding is un-ringfenced, it comes with the expectation of both the DfT and AGMA that it will be invested in delivering the Local Transport Plan strategy. The funding will therefore be passported for investment in, and maintenance of, Oldham’s transport network. Oldham’s share of this allocation is detailed in the table below:

	£k
2016/17	2,248.3
2017/18	2,180.3
2018/19	1,973.3
2019/20	1,973.3
2020/21	1,973.3
<b>TOTAL</b>	<b>10,348.5</b>

- 1.7 The Government also announced £580m to incentivise good highway asset management and efficiencies plus £575m reserved for a challenge fund for large one-off maintenance and renewal projects. The Council successfully bid for challenge funding amounting to £3.160m, payable over the three years commencing 2015/16, with allocations of £1.732m in 2016/17 and £0.906m in 2017/18. In total this funding requires a Council contribution of £840k.
- 1.8 The Council has also successfully bid to the GMCA for the second phase of the Local Growth and Reform Funding. Oldham’s award of £4.970m was announced in August 2015. The bid is analysed in the following table and will be allocated as follows; £0.830m in 2015/16, £2.640m in 2016/17 and £1.500m in 2017/18. £4.500m of the total grant has been allocated to works that form part of the ongoing town centre regeneration schemes.

	£k
Albert Street, Hollinwood Junction	800
Town Centre Metrolink pedestrian/cycle access	70
Local Sustainable Transport Fund - Sustainable Access Enhancements	150
Oldham Mumps Park & Ride and Highway Infrastructure	3,500
Town Centre Connectivity - Yorkshire Street	450
<b>TOTAL</b>	<b>4,970</b>

- 1.9 In September 2015 the Council secured Flood Management Funding from the Environment Agency for 2015 and 2016 totalling £0.500m. The 2016/17 allocation is £0.185m; the requirement for matched funding of £0.065m has been committed elsewhere in the programme.

### **Schools**

- 1.10 In February 2015 the Department for Education announced details of the Schools Condition Allocation Grant, The Oldham allocation for 2015/16 was £1.955m with indicative allocations given for the following two years. February 2016 saw formal confirmation of the 2016/17 allocation as £1.860m. Once again, the most recent allocation is to be taken as indicative of the likely award in the following year. Assuming that further Oldham schools will convert to academies and that associated funding will be lost £1.755m has been included in for 2017/18.
- 1.11 At the same time the Department has also notified the Authority of the 2016/17 School's Devolved Formula Capital (DFC) funding amounting to £0.430m.
- 1.12 The Council's bid for the second phase of the Priority Schools Build Programme (PSBP2) in relation to Greenfield and Clarksfield schools was unsuccessful. In February 2015 the Government announced that the bid for Royton and Crompton had been 'partially' successful; the precise level of funding available remains unconfirmed. Meetings are ongoing with the Education Funding Agency (EFA) to agree the scope of this project. The latest position is that the EFA will be carrying out further feasibility works over the period April 2016 to June 2016, as a result of which they will be making recommendations as to the scope of works. An allocation of Council resources will be required over and above the Government allocation.

### **Scrutiny of the Capital Strategy and Capital Programme**

- 1.13 The Capital Strategy and Capital Programme for 2016/17 to 2020/21 were subject to scrutiny by the Overview and Scrutiny Performance and Value for Money Select Committee at its meeting of 21 January 2016. This provided Committee Members with the opportunity to ask questions and test the assumptions upon which the Capital Strategy and Programme are based. The Select Committee was content to recommend the Capital Strategy and Programme to Cabinet, who approved the report at its meeting on 11 February and commended the report to Council.

## **2. Current Position**

### **2.1 Capital Strategy 2016/21**

- 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 (refreshed in 2015) which sets out the corporate objectives. 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, 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 GM 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 funding on the basis of bids as reward grants, it is unable to give access to all grant allocations in time for the preparation of the Capital Strategy. Government departments will provide information about 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 for 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 Council has established the 2016/21 Capital Strategy around 16 key principles. These principles are highlighted in Section 2 of the Capital Strategy document at Appendix 1. They illustrate the importance of the role of the CIPB, include linkages to corporate and regional strategies, identify which resources will and will not be ring-fenced, the approach to matched funding that the Council will follow together with priorities for investment.
- 2.1.11 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) but are summarised as:
- i) Continuation funding for existing programmes of work:
    - Corporate Major Repairs, Disability Discrimination Act (DDA) Adaptations, Legionella, Health and Safety Projects (Corporate Landlord Function)
    - Schools Condition Works.
  - ii) Further/new projects for which funding may be required:
    - Adult Social Care
    - Unforeseen/emergency Health and Safety works
    - Low Carbon and Energy Efficiency Initiatives
    - School Investment/ Pupil Places Pressures
    - Priority School Building Works
    - Playing Pitch Strategy
    - Surplus Sites
    - Association of Greater Manchester Authorities (AGMA) Green Deal Scheme
    - AGMA Growing Places Loans
    - Town Centre Regeneration

- Borough-Wide Regeneration
- Car Parking
- Foxdenton
- Housing Projects in support of Government Housing Initiatives
- Equity Home Loans
- Supported Housing for Adults With Complex Learning Disabilities
- Greater Manchester Devolution and Related Initiatives
- Partnership and Joint Working
- Matched Funding for Grant Bids
- Supporting the Council's Co-operative Ethos
- Refinancing of PFI and Public Private Partnership (PPP) type agreements.

2.1.12 The changes in Government policy with regard to the financing of major capital programmes, the un-ringfenced label being applied to funding (but carrying an expectation that the resource will be used for the purpose it was issued) and the limited ability of the Council to finance any further capital investment from its own resources, make 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 also to meet the aspirations of residents.

## **2.2 Capital Programme 2016/21**

2.2.1 The Council is required to set out its Capital Programme for the period 2016/21 based on the principles of the Capital Strategy (as set out in Appendix 1). A five-year timeframe has been adopted. The Capital Programme and Capital Strategy have, at this stage, been prepared on the basis of grants known at the time of preparation. 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 Capital Programme for 2016/17 is influenced by the performance of the Capital Programme for 2015/16. A review has taken place of planned spending in 2015/16 and the programme has been re-profiled as necessary.

### **Update on the 2015/16 Capital Programme**

2.2.3 The Capital Programme for 2015/16 was approved at the Council meeting of 25 February 2015, with expenditure of £90.645m and supporting financing. This was supplemented by re-profiling of £26.593m from the previous year and has subsequently been amended month on month to reflect agreed changes. This includes the 2015/16 annual review of the Capital Programme, a comprehensive project by project scrutiny of the Capital Programme conducted by the Capital Investment Programme Board over the summer/autumn months.

2.2.4 The monitoring report for the 2015/16 to 2019/20 Capital Programme at month 8 has been prepared and was presented to Cabinet on 11 February 2016. At month 8, total capital spending for 2015/16 was estimated to total £78.358m matched with corresponding financing. The Economy and Skills programme, which include all the major regeneration projects, constitute the major area of expenditure (£61.169m) and prudential borrowing is the main source of financing (£38.376m).

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 2015/16 Capital Programme estimates revised total expenditure of £68.332m together with corresponding financing of £72.684m (including estimated capital receipts totalling £11.145m), allowing resources of £4.352m to be carried forward to be used to finance deficits in later years. The latest approved and the current re-profiled Capital Programmes are set out in Table 1 below.

**Table 1 Revised 2015/16 Capital Programme**

Directorate	Capital Programme as at M08	New schemes/ Variations	Re-profiled Programme for Strategy
	£k	£k	£k
<b>Expenditure</b>			
Co-operatives and Neighbourhoods	10,580	-557	10,023
Health and Well Being	1,817	-427	1,390
Corporate and Commercial Services	4,126	-571	3,555
Economy and Skills	61,169	-8,210	52,959
Housing Revenue Account	462	-57	405
Funds Yet to be Allocated	204	-204	0
<b>Total Expenditure</b>	<b>78,358</b>	<b>-10,026</b>	<b>68,332</b>
<b>Resources</b>			
Grants and Other Contributions	-30,004	2,232	-27,772
Prudential Borrowing			
- General	-31,631		-31,631
- Underwriting External Funding	-6,745	5,940	-805
Revenue	-1,462	131	-1,331
Capital Receipts Required	-8,516	1,723	-6,793
<b>Total Resources</b>	<b>-78,358</b>	<b>10,026</b>	<b>-68,332</b>
<b>Capital Receipts Available</b>	<b>-11,145</b>		<b>-11,145</b>
<b>Expenditure to be Funded from Capital Receipts</b>	<b>-8,516</b>		<b>-6,793</b>
<b>Over Programming / (Carry Forward) Position</b>	<b>-2,629</b>		<b>-4,352</b>

2.2.6 As referred to at 2.2.3 above, Members will recall that there has been a review of the Capital Programme undertaken during 2015/16, as in previous years, to ensure that planned expenditure is still relevant and that projects are aligned with corporate objectives. The Capital Programme for 2015/16 (and future years) reflects the results of the review, which delivered an initial reduction in spending of £3.021m, £1.921m of which was immediately transferred to other priority schemes leaving a

net contribution of £1.100m to Funds Yet to be Allocated. To date a further £200k has been transferred to projects, leaving £900k of unallocated resource in 2016/17.

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.

### Capital Programme 2016/17 to 2020/21

2.2.8 The table below sets out the summary of the anticipated expenditure: £80.545m for 2016/17 and available financing of £79.321m, which incorporates resources carried forward from 2015/16. The detailed programme is set out at Annex C of Appendix 1 on a Portfolio basis. The under-programming in 2016/17 is carried forward into 2017/18 where it balances out with a corresponding amount of over-programming.

**Table 2 Capital Proposals for 2016/17 to 2020/21**

Proposed Capital Spending	2016/17 £k	2017/18 £k	2018/19 £k	2019/20 £k	2020/21 £k
Co-operatives and Neighbourhoods	11,888	3,536	2,473	2,173	2,173
Health and Wellbeing	2,655	400	400	400	400
Corporate and Commercial Services	1,055	249	249	249	249
Economy and Skills	59,431	73,824	4,022	1,285	500
Housing Revenue Account	114	0	0	0	0
Funds Yet to be Allocated	5,402	0	0	0	0
<b>Total Expenditure</b>	<b>80,545</b>	<b>78,009</b>	<b>7,144</b>	<b>4,107</b>	<b>3,322</b>
<b>Total Funding</b>	<b>-79,321</b>	<b>-79,233</b>	<b>-7,144</b>	<b>-4,107</b>	<b>-3,322</b>
Balance of Resources available by year – over/(under) programming	1,224	-1,224	0	0	0
Cumulative Balance of Resources – over/(under) programming	1,224	0	0	0	0

### 2.3 Resources Available to Support the Capital Programme

2.3.1 As in the last two years, the level of Government resources remains buoyant with a number of sizeable grants for 2016/17 and future years having been initially announced in the latter part of the 2014/15 financial year. The main source of grant income remains education-related with Basic Need Formula funding allocations totalling £20.909m for 2016/17 and 2017/18. The School Condition Allocation grant had an indicative allocation of £1.855m for 2016/17 and £1.755m for 2017/18. A recent update has slightly revised this amount by confirming the 2016/17 allocation as £1.860m. In addition Highways Maintenance funding of £2.248m has been confirmed for 2016/17.

The resources available to support the programme are described in more detail in the following section.

### **Government Grant Funding**

2.3.2 The Government resources available to the Council can be split into two categories: un-ringfenced and ringfenced 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 re-profiled expenditure. Table 3 below summarises the level of un-ringfenced Government resources available in 2016/17 and future years with Table 4 presenting ringfenced resources.

### **Un-Ringfenced Grants**

2.3.4 The 2016/17 allocations that the Council has had confirmed at this time are:

- a) The Education Basic Need allocation of £5.504m for 2016/17 remains as notified in December 2013, as does the allocation of £15.405m for 2017/18 as notified in February 2015. There have been no further announcements since that date although 2016 notifications remain a possibility.
- b) Department for Transport (DfT) grant for Local Transport Funding has been formally confirmed as £2.248m for 2016/17 together with £2.180m for 2017/18. This funding is notionally allocated at an individual authority level but is paid to the Greater Manchester Combined Authority (GMCA), which determines the distribution of resources across the ten Greater Manchester Local Authorities and Transport for Greater Manchester. It is therefore assumed that the Council will receive its full allocation for the duration of the current programme, totalling £5.920m for the final three years of the programme. Whilst LTP funding is un-ringfenced, the DfT and the GMCA both have an expectation that it will be invested in delivering the Local Transport Plan strategy. The Council's policy is to passport transportation grant funding to support the LTP programme.
- c) The Social Care Reform Grant will not continue in 2016/17. However the Department of Health has, on 10 February 2016 confirmed Better Care Funding in the form of the Disabled Facilities Grant (DFG) amounting to £1.618m for 2016/17, in total more than compensating for the cessation of the aforementioned grant. As in 2015/16 it remains a pooled budget linked into a joint programme of spending with the NHS. There is an additional Council-funded top-up of £0.400m in each of the years of the programme to support DFG and adult social care related expenditure..
- d) In February 2015 the Department for Education announced details of the Schools Condition Allocation Grant. The Oldham allocation for 2015/16 was £1.955m. More recently (February 2016) the 2016/17 allocation has been confirmed as £1.860m. Once again the most recent allocation is to be taken as indicative of the likely award in the following year. Assuming that further Oldham schools will convert to academies and that associated funding will be lost £1.755m has been included in for 2017/18.

### **Other Grants**

2.3.5 In addition to specific 2016/17 grants, the Capital Programme relies on a range of grants carried forward from 2015/16 to support the overall level of planned spending, this includes those for which there are new allocations in 2016/17 plus grants carried forward from 2015/16 which are not currently expected to be awarded in 2016/17. The current position as regards both is illustrated in table 3 below.

2.3.6 In the same way as for the LTP funding referred to above, it is the Council's policy to passport un-ringfenced grants directly to services, namely: Disabled Facilities Grant, Education Basic Need and Schools Condition. This explains why they are included in table 3 rather than table 4. The grants are effectively treated as if they were ringfenced.

**Table 3 Un-Ringfenced Grants**

	2015/16 C/Fwd £k	2016/17 £k	2017/18 £k	2018/19 £k	2019/20 £k	2019/21 £k
Basic Need Capital Grant	-593	-5,504	-15,405	0	0	0
Local Transport Plan - Highway Maintenance Grant	-468	-2,248	-2,180	-1,973	-1,973	-1,973
Local Transport Plan – Grant/Loan	-941	0	0	0	0	0
Disabled Facilities Grant	-355	-1,618	0	0	0	0
Schools Condition Allocation	-2,460	-1,860	-1,755	0	0	0
Universal Infant School Meals (Kitchens)	-115	0	0	0	0	0
Prior Year Grants Carried Forward	-466	0	0	0	0	0
<b>TOTAL</b>	<b>-5,398</b>	<b>-11,230</b>	<b>-19,340</b>	<b>-1,973</b>	<b>-1,973</b>	<b>-1,973</b>

**Ringfenced Specific Grants**

2.3.7 Throughout the course of 2015/16 the Council has been notified of a number of ringfenced grants. The full award of Highways Maintenance Challenge Fund was confirmed by the DfT on 18 June 2015; this was a three year allocation commencing 2015/16. The confirmed 2016/17 and 2017/18 awards are shown in table 4 below.

2.3.8 On 17 August 2015 the Authority was notified of a successful bid for Round 2 of Local Growth and Reform Funding in the sum of £4.970m; £830k was allocated to 2015/16 (with £800k slipping into 2016/17), the remaining allocation is split between 2016/17 and 2017/18. The funding is allocated to transport projects (£0.640m) and regeneration schemes (£3.500m).

2.3.9 Flood Management Funding from the Environment Agency has been allocated for 2015/16 and 2016/17 totalling £0.500m. The 2016/17 allocation is £0.185m. A requirement for matched funding of £0.065m has been committed elsewhere within the Capital Programme.

2.3.10 The 2016/17 allocation of Schools Devolved Formula Capital (DFC) has been confirmed as £0.430m.

**Table 4 Ringfenced Specific Government Funding for 2016/21**

	2015/16 C/Fwd £k	2016/17 £k	2017/18 £k	2018/19 £k	2019/20 £k	2020/21 £k
Highways Maintenance Challenge Funding	0	-1,732	-906	0	0	0
Local Growth and Reform (Round 2) - Transport	0	-640	0	0	0	0
Local Growth and Reform (Round 2) - Regeneration	-800	-2,000	-1,500	0	0	0
Cycle City Ambition Grant	-915	0	0	0	0	0
Flood Defence – Flood and Coastal Risk Management Grant	0	-185	0	0	0	0
Devolved Formula Capital (Schools)	-767	-430	0	0	0	0
DfT – Local Pinch Point Funding	-228	0	0	0	0	0
Greater Manchester - Integrated Transport Block Grant	-460	0	0	0	0	0
<b>TOTAL</b>	<b>-3,170</b>	<b>-4,987</b>	<b>-2,406</b>	<b>0</b>	<b>0</b>	<b>0</b>

2.3.11 The resources available can also be split between those which do not have revenue consequences to be funded via the revenue budget, and those that do have revenue consequences.

### **Funding With No Revenue Consequences**

1) Government Grants and other external grants and contributions

This is funding provided directly by Government or other external providers. It can be ringfenced, specific and un-ringfenced. All Government funding is now via direct grant. In addition to the Government grants identified in tables 3 and 4 above it is anticipated that funding of £7.500m in 2017/18 will be received from other sources.

2) Capital Receipts

This is money received from the sale of Council assets and is usually un-ringfenced. It includes for 2016/21, the First Choice Homes Oldham VAT Shelter arrangement and the commencement from 2017/18 of the repayment of maturing Local Authority Mortgage Scheme (LAMS) indemnities.

The 2016/17 Capital Programme requires the generation of £12.099m of capital receipts which exceeds the estimated actual income (including receipts brought-forward from 2015/16). The resultant over-programming of £1.224m is carried forward into 2017/18 where sufficient receipts will be 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 receipts that can actually be generated, which may be less than originally expected.

### **Funding With Revenue Consequences**

#### **1) 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 2016/17 programme estimates outright prudential borrowing of £27.070m that will be 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 (£9.440m in 2016/17). This borrowing may therefore not be required.

#### **2) Revenue Contributions**

The Council can finance capital using revenue resources and it is planned to use £4.5m of 2015/16 council revenue underspending on capital financing costs, due to delays in the Capital Programme, to support the 2016/17 Capital Programme.

2.3.12 Table 5 below sets out the overall level of available resources by category for the period 2016/21.

This shows that in total, funding for the Capital Programme in 2016/17 is £79.321m, with the majority of funding comprising the various categories of prudential borrowing referred to above.

There is £24.785m of Government grant funding and other contributions, an estimated income of £6.523m from planned capital receipts in 2016/17 plus an estimated £4.352m brought-forward from 2015/16 and a further £7.152m contribution from revenue resources.



**Table 5 Total Resources Available for the Capital Programme**

	2016/17 £k	2017/18 £k	2018/19 £k	2019/20 £k	2020/21 £k
<b>No Revenue Consequences</b>					
Capital Receipts	-6,523	-7,114	-6,232	-1,280	-1,280
Council Resources Carried Forward	-4,352	0	0	0	0
Grants and Other Contributions	-24,785	-29,246	-1,973	-1,973	-1,973
<b>Total</b>	<b>-35,660</b>	<b>-36,360</b>	<b>-8,205</b>	<b>-3,253</b>	<b>-3,253</b>
<b>With Revenue Consequences</b>					
Prudential Borrowing					
- General	-27,070	-36,506	1,061	-854	-69
- Underwriting External Funding	-9,440	-1,500	0	0	0
Other Revenue Contributions	-7,152	-4,867	0	0	0
<b>Total</b>	<b>-43,662</b>	<b>-42,873</b>	<b>1,061</b>	<b>-854</b>	<b>-69</b>
<b>TOTAL</b>	<b>-79,321</b>	<b>-79,233</b>	<b>-7,144</b>	<b>-4,107</b>	<b>-3,322</b>

2.3.13 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 revenue savings 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 when 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 2016/17

### Resources Committed in 2016/17 to 2020/21

2.4.1 A review of the Capital Programme has highlighted that there is already a full range of commitments for the period 2016 to 2021. As a consequence, these commitments utilise most of the capital resources available for 2016/21. 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.

### Cooperatives and Neighbourhoods

2.4.2 Total projected spending on Cooperatives and Neighbourhoods projects in 2016/17 is £11.888m over the following areas:

1) Transport Schemes – Government Grant-Funded

Grant funding totalling £4.805m has been notified for 2016/17, as summarised below. In addition grant funding of £2.784m, from a number of sources,

originally allocated in 2015/16, has been re-profiled into 2016/17.

- LTP maintenance grant, in the sum of £2.248m has been confirmed in accordance with an agreement between the DfT and the GMCA.
- £0.640m of Local Growth and Reform (Round 2) funding has been allocated to transport projects in 2016/17.
- Challenge Funding amounting to £3.16m, payable over the three years commencing 2015/16, with allocations of £1.732m in 2016/17 and £0.906m in 2017/18 which requires a council contribution of £0.840m
- Flood Management Funding from the Environment Agency; the 2016/17 allocation is £0.185m with a requirement for matched funding of £0.065m

## 2) Transport Schemes – Other

Funding of £1.273m has been made available for fleet management in 2016/17.

There are a range of other transport-related projects within the 2016/17 Capital Programme totalling £1.054m; all schemes have been re-profiled from 2015/16.

## 3) Other Cooperatives and Neighbourhoods Schemes

There is a total of £1.972m of 'other' directorate projects included within the 2016/17 programme, examples include:

- £200k per year 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, with an additional £100k to support the Green Dividend initiative which has been re-profiled from 2015/16.
- Private Sector Housing: this includes Equity Home Loans with provision of £503k in 2016/17, financed by capital receipts.

### **Health and Wellbeing**

2.4.3 Projected spending on Commissioning Services is £2.655m in 2016/17; this is focussed on Social Care and comprises:

- Funding of £1.618m relating to the expansion of the Disabled Facilities Grant.
- Resources of £400k specifically allocated in 2016/17 to support local Adult Social Care Schemes.

### **Corporate and Commercial Services**

2.4.4 Total projected spending on Commercial Services projects, all IT-related, amounts to £1.055m in 2016/17 and includes:

- £0.141m in 2016/17, and £69k in subsequent years, for the integrated Agresso system upgrade and improvements.

- £160k for the IT server refresh programme in line with the Council's ICT contract with the Unity Partnership.
- £20k expenditure for ensuring that the Council complies with Government Connect initiative requirements.

These ongoing IT projects are contractual commitments and are financed across all years of the Capital Programme.

### **Economy and Skills**

2.4.5 There is planned expenditure of £59.431m in 2016/17 and £73.824m in 2017/18 predominantly relating to schemes financed by the ongoing capital investment programme. The major areas of expenditure in relation to 2016/17 are as follows:

- Town centre regeneration of £29.509m, including the Old Town Hall, Princes Gate and the Heritage Centre/Coliseum projects.
- Other priority regeneration schemes including Hollinwood/ Langtree, public realm and development of Foxdenton totalling £7.112m.
- Royton Development at £1.300m (including slippage of £0.300m)
- Resources of £1.745m to support provision of the new Saddleworth school (including slippage of £1.045m).

### **Corporate Landlord**

2.4.6 This encompasses a range of schemes:

- Resources available for major repairs/DDA (including Hobson Street car park) and schools condition works have initially been set at £8.591m in 2016/17.
- Further schools-related expenditure of £9.279m in 2016/17; £7.795m of which is to address the shortage of pupil places by building a new 3 form entry primary school in the town centre (replacing the existing Greenfield primary) and by increasing provision at Oasis Limeside school. The majority of this expenditure is financed by Basic Need grant. In addition there is Devolved Formula Capital expenditure brought forward from 2015/16 of £0.767m, plus the 2016/17 confirmed funding of £0.430m.

## **2.5 Proposed Capital Programme**

2.5.1 Annex C of Appendix 1 of this report details the proposed 2016/17 Capital Programme and the indicative programme for the period 2017/21. The strategy of the Council is to prepare a Capital Programme that balances over the life of the programme so that resources equal overall expenditure. There is currently an unallocated resource of £5.402m in 2016/17, the use of which will be prioritised by the CIPB during the year and, if applicable, carried forward into future years. There will therefore be no anticipated unallocated resources in the Capital Programme or Capital Strategy.

2.5.2 Total expenditure in 2016/17 is planned at £80.545m with over-programming of £1.224m, to be balanced out in the following year. However, the position is anticipated to evolve:

- There may be further Government funding allocations announced prior to the start of 2016/17.
- It is also likely that there will be new initiatives announced later in the financial year.
- There may also be the opportunity to bid for additional funding,.
- The Council may identify other funding sources, including capital receipts, to finance additional capital expenditure.

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

### 3. **Options/Alternatives**

3.1 Members may choose to accept the proposed Capital Strategy and Capital Programme, or revise and suggest an alternative approach to capital investment, including the revision of capital priority areas.

### 4. **Preferred Option**

4.1 The preferred option is to accept the proposed Capital Strategy and Capital Programme as set out in this report, including priority investment proposals, and to thus approve the proposed Capital Strategy and Capital Programme for 2016/17 and the indicative Capital Programme for 2017/21

### 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 2016/21 Capital Strategy and Capital Programme. The programme and strategy were considered at Overview and Scrutiny Performance and Value for Money Select Committee on 21 January 2016, which forms a key part of the consultation process. Cabinet considered and approved the report at its meeting on 11 February.

### 6. **Financial Implications**

6.1 By the very nature of this report, it contains financial details of the capital expenditure and financing associated with the delivery of the 2016/17 Capital Programme.

6.2 As the Government now only funds capital expenditure by grant, there are 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 2016/17 and future years 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. Co-operative Agenda**

- 8.1 The Capital Strategy and Capital Programme have been prepared so that they embrace the Council's co-operative agenda with resources being directed towards projects that support the aims, objectives and co-operative 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 Capital 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 Actual and potential revisions to Government policy present new risks. 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 un-funded ongoing legal liabilities, potential overspending requiring an un-budgeted allocation of resources and the general risks around the uncertainty over the nature and level of the 2016/17 and future years' capital funding.

## **11. IT Implications**

- 11.1 Other than the delivery implications of the specific IT projects being put forward there are no IT implications. The programme of ICT investment contained within the Capital 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 the asset rationalisation programme underpins the financing of the Capital Programme. Every effort will be made to maximise capital receipts while delivering outcomes that support corporate priorities.
- 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.

**14. Environmental and Health & Safety Implications**

- 14.1 The Capital Programme includes 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-23-15

**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 contained within Appendix 1
Officer Name:	Anne Ryans
Contact No:	0161 770 4902

**20. Appendices**

- 20.1 Appendix 1 – Capital Strategy 2016/21