

Report to Cabinet

**Capital Strategy and Capital Programme 2019/20
to 2023/24**

Portfolio Holder: Cllr Abdul Jabbar MBE, Deputy Leader and
Cabinet Member for Finance and Corporate Resources

Report Author: Anne Ryans, Director of Finance

Officer Contact: Lee Walsh, Finance Manager

Ext. 6608

11 February 2019

Reason for Decision

To set out the Capital Strategy for 2019/20 to 2023/24 and thereby the proposed 2019/20 capital programme, including identified capital investment priorities, together with the indicative capital programme for 2020/21 to 2023/24, having regard to the resources available over the life of the programme.

Executive Summary

The Capital Strategy

The Council's Capital Strategy and capital programme are set over a five year timeframe. The proposed Capital Strategy and programme for 2019/20 to 2023/24 takes the essential elements of the 2018/22 and previous years' strategies and programmes and moves them forward in the context of the financial and political environment for 2019/20.

The Strategy does however include a longer term vision, a forward look at those projects that are likely to run beyond the five year strategy and programme period or be initiated subsequently. This covers a timeframe for the 10 years from 2024/25 to 2033/34.

In 2017 the Chartered Institute of Public Finance & Accountancy (CIPFA) issued revised Prudential and Treasury Management Codes. The main requirement was that for 2019/20, all Local Authorities have to prepare an additional report, a Capital Strategy report. The Council has traditionally prepared a Capital Strategy, however under the new guidance additional disclosures have been added to ensure compliance.

The Strategy is presented so that it provides:

- A high-level long term overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services
- An overview of how the associated risk is managed
- The implications for future financial sustainability

It is prepared in 15 sections and ensures that all Council Members are presented with the overall long-term capital investment policy objectives and resulting Capital Strategy requirements, governance procedures and risk appetite. The sections are:

1. The Aims of the Capital Strategy and linkages to other key Strategies
2. The Principles of the Capital Strategy
3. Priority Areas for Investment
4. Supporting Greater Manchester Devolution
5. Affordability, Delivery and Risk Associated with the Capital Schemes
6. Knowledge and Skills
7. Treasury Management
8. Long Term Loans
9. Commercial Activity
10. Capital Resources to Support Capital Expenditure
11. Capital Investment and Disposal Appraisal
12. How the Capital Requirement will be Prioritised
13. How the Council will Procure its Capital Projects
14. How the Council will Measure the Performance of the Capital Programme
15. The Capital Investment Programme Board

The Strategy also advises that the Council is proposing to utilise the flexibility provided by the Ministry of Housing, Communities and Local Government (MHCLG) to use capital receipts to fund the revenue cost of transformation. The 2019/20 revenue budget will rely on up to £3m of such funding from capital receipts. Annex D sets out the required Flexible Use of Capital Receipts Strategy which advises of the summary of planned receipts, use and savings.

Capital Programme 2018/19 to 2022/23

Capital spending in relation to the 2018/19 capital programme is a key determinant of the 2019/20 programme. As many schemes span more than one year, the anticipated level of reprofiling between years sets the underlying position. The latest available capital monitoring report for the period 2018/19 to 2022/23 at month 8 includes capital expenditure totalling £48.952m for 2018/19 matched with corresponding financing.

The People and Place Directorate which manages all of the major regeneration projects, constitutes the main area of expenditure (£31.265m). Prudential Borrowing provides the main source of financing (£26.995m) followed by Grants and Other Contributions (£16.068m).

Actual expenditure to 30 November 2018 was £24.637m (50.33% of forecast outturn). This spending profile is in line with previous years, however the position will be kept under review and budgets will continue to be managed in accordance with forecasts.

Capital Programme 2019/20 to 2023/24

The Council has set out its capital programme for the period 2019/20 to 2023/24 based on the principles of the Capital Strategy. The Capital Programme and Capital Strategy have been influenced by the level of resources considered available. The level of prudential borrowing included reflects the financing available in the revenue budget, capital receipts align with forecasts and grant funding and other contributions are based on already notified allocations or best estimates at time of preparation. If additional resources become available, projects that meet the Council's strategic capital objectives will be brought forward for approval.

Anticipated expenditure and matched financing for the period 2019/20 to 2023/24 totals £262.198m. This incorporates resources expected to be carried forward from 2018/19 and reflects the 2018/19 month 8 monitoring position together with an enhanced projection of expenditure for 2019/20 to 2023/24 incorporating anticipated spending on new initiatives and an allowance, at funds yet to be allocated for new priorities (£12.500m over the life of the Capital Strategy). The detailed programme is set out at Annex C of Appendix 1 on a Portfolio basis.

A review of the capital programme has highlighted that there is already a full range of commitments for the period 2019/20 to 2023/24 but additional funding allocations totalling £53.742m have been added to support a number of schemes. However, due to the revision in contributions to schemes from external funders, the anticipated grant contribution element of the funding has reduced by £6.823m, leaving an increase from the 2018/19 projected capital programme of £46.919m.

The capital programme includes proposed expenditure for 2019/20 of £84.332m, with the largest area of expenditure being on schools, development and infrastructure projects within People and Place Directorate. Total expenditure decreases to £77.706m in 2020/21, then £80.785m in 2021/22, and £13.411m in 2022/23 and in the final year of the current programme 2023/24 spend is estimated at £5.964m.

Resources Available to Support the Capital Programme

The Government is continuing to provide significant levels of grant funding, after an initial reduction at the start of the austerity period. The main source of grant income remains education-related with Basic Need Capital grant funding allocations totalling £20.310m for 2019/20 and £9.819m for 2020/21. The grant funding provided by Government can be split into two categories: un-ringfenced and ringfenced resources, as explained in Section 10 of the Capital Strategy. The vast majority of capital Government Grant funding is un-ringfenced. Resources classified as ringfenced have to be utilised to finance particular categories of expenditure and therefore are restricted in their use. The 2019/20 capital programme relies on £26.972m of un-ringfenced and £7.689m of ringfenced grants.

As in previous years, a major source of financing remains prudential borrowing; the amount required in 2019/20 (£26.713m) includes borrowing attributed to schemes that have slipped from prior years. 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.

On-going Review of the Capital Programme

There will be a continued review of capital spending requirements as the Council has further regeneration ambitions but affordability and deliverability will be key consideration in this regard. It is, however, likely that the capital position will change prior to the start of 2019/20 and during the year as:

- There may be further Government funding allocations announced prior to the start of 2019/20.
- The outcome of specific grant bids will be announced during 2019/20.
- 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.

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.

Consultation

There has been consultation on the proposed Capital Strategy and Capital Programme for 2019/20 to 2023/24, including with the Overview and Scrutiny Performance and Value for Money Select Committee on 24 January 2019. The Select Committee was content to commend the report to Cabinet.

Recommendations

Cabinet approves and commends to Council:

- i) The Capital Strategy for 2019/20 to 2023/24 at Appendix 1 of this report and summarised at section 2.1.
- ii) The capital programme for 2019/20 and indicative programmes for 2020/21 to 2023/24 at Annex C of Appendix 1 and summarised at sections 2.2 to 2.6 of this report.
- iii) The Flexible Use of Capital Receipts Strategy as presented at Annex D of Appendix 1.

Cabinet

Capital Strategy and Capital Programme 2019/20 to 2023/24

1. Background

- 1.1 In accordance with good practice, the Council has traditionally prepared a Capital Strategy, the overarching aim of which is to provide a framework within which the Council's capital investment plans will be delivered. This Capital Strategy for 2019/20 to 2023/24 has been prepared to cover an initial five year time-frame to align with the Medium Term Financial Strategy of which it is an integral part. Recognising that there is some uncertainty, especially in relation to funding in later years, the Strategy therefore focuses on 2019/20 and 2020/21 in detail.
- 1.2 The Strategy does however include a longer term vision, which also covers the time frame for 10 years from 2024/25 to 2033/34. This takes a forward look at those projects that are likely to run beyond the initial five year strategy and programme period.
- 1.3 The format of the Capital Strategy has been amended to reflect the Prudential and Treasury Management Codes issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) in 2017 which requires Authorities to prepare a Capital Strategy and include specific information within it. The Strategy therefore presents:
- A high-level long term overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services
 - An overview of how the associated risk is managed
 - The implications for future financial sustainability
- 1.4 This report therefore summarises the key elements of the Capital Strategy which are outlined in more detail at Appendix 1.
- 1.5 The report also presents the proposed 2019/20 to 2023/24 capital spending plans of the Council together with an update on spending in 2018/19, which has a significant influence over the profiling of expenditure into future years.

2 Current Position

2.1 Capital Strategy 2019/20 to 2023/24

- 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 over a five year timeframe 2019/20 to 2023/24 but as advised above, the format and content of the Capital Strategy has been changed to reflect the Prudential and Treasury Management Codes issued by CIPFA in 2017 which for the first time requires Authorities to prepare a Capital Strategy and include specific information within it.
- 2.1.2 The Capital Strategy is therefore prepared to ensure that all Council Members are presented with the overall long-term capital investment policy objectives and resulting Capital Strategy requirements, governance procedures and risk appetite.
- 2.1.3 The Capital Strategy, which now incorporates specific information on non-treasury investments, is aligned to but reported separately from the Treasury Management

Strategy Statement. This ensures the separation of commercial investment, usually driven by expenditure on an asset, from the core treasury function which operates under the principles of security, liquidity, yield and an ethical approach.

2.1.4 Specifically in relation to non-treasury investments, the Capital Strategy includes, where appropriate:

- The corporate governance arrangements;
- Any service objectives relating to the investments;
- The expected income, costs and resulting contribution to support the Councils budget;
- The debt related to the activity and the associated interest costs;
- The payback period (MRP policy);
- For non-loan type investments, the cost against the current market value; and
- The risks associated with each activity.

2.1.5 The proposed Capital Strategy and capital programme for 2019/20 to 2023/24 takes the essential elements of previous Capital Strategies and programmes and moves them forward in the context of the financial and political environment for 2019/20 onwards. The Capital Strategy is attached at Appendix 1, with the capital programme, which reflects the principles of the Strategy, attached at Annex C of Appendix 1.

2.1.6 The Council has an ongoing investment programme to support a range of regeneration priorities and due to the re-profiling of the delivery of some schemes and the approval of new schemes, the programme has now been revised. Given the size of the regeneration programme, it is an important focus for Council spending within the period covered by this Capital Strategy. This investment is mostly being financed by prudential borrowing which requires financing from the revenue budget. Where possible this funding is generated from increasing income streams from new developments and new schemes. The 2019/20 revenue budget has been prepared to accommodate this with future years' projected costs included in the Medium Term Financial Strategy. 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.

2.1.7 The regeneration of Oldham town centre is a Council priority with a number of major schemes either having been completed or are currently in train. During 2018/19 the vision for the town centre was revisited but during 2019/20 work will be taken forward with the Oldham Museum of Arts / Archives (OMA) and the Tommyfield market as priorities. The finalisation of the town centre vision will determine specific projects, and the extent of the resources required.

2.1.8 The Capital Strategy and spending plans of the Council are driven by the Corporate Plan which was refreshed and updated to sharpen its focus and ensure alignment with the Oldham Plan. The Oldham Plan was endorsed by Council in July 2017. In addition there are two other key strategies that underpin the Council's approach to capital expenditure:

- a) During 2017/18, Cabinet approved the Commercial Property Investment Strategy and Fund (CPIS). This formally established an approach and resources to facilitate the development of a robust, property investment portfolio in order to generate a sustainable future income stream to support the Council's mainstream service delivery. With the revised Prudential Code guidance issued in 2017 and in the context of the Capital Strategy, the CPIS gives approval to use capital resources to invest in property to create a revenue return.

- b) In August 2018, the Council adopted a Medium Term Property Strategy (MTPS) which set out the general direction that the property portfolio will take over the next 5-10 years, the approach to be adopted in getting there and the policies that will be applied to decision making.

The Council's approach is to have a high level MTPS that incorporates a detailed Asset Management Plan for every property asset / group of assets the Council has, together with a Commercial Property Investment Strategy to guide and set principles of how investment in property is undertaken and income generated.

- 2.1.9 Aligned to corporate and 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, having regard to the MTPS and CPIS.

The Principles of the Capital Strategy

- 2.1.10 The Capital Strategy has 16 principles outlined in Appendix 1 Section 2. These are largely unchanged from previous years and emphasise the role of the Capital Investment Programme Board (CIPB) in leading the strategic direction for capital investment with the Terms of Reference of the CIPB included at Annex B of the Appendix 1. The principles include:

- The requirement for all capital schemes to have a sponsor and to undergo a rigorous options appraisal process
- The pooling of all un-ringfenced funds but having regard to specific obligations
- No ringfencing of capital receipts but with some specified exceptions
- Utilising resources to work collaboratively with the Greater Manchester Combined Authority (GMCA) and other public sector agencies to support the evolving devolution agenda
- Supporting greater integration with Oldham Clinical Commissioning Group (CCG) and other NHS partners by making Council capital resources available for joint projects.

These principles frame decision making on capital expenditure and underpin the Council's approach to capital investment.

Priority Areas for Investment

- 2.1.11 Section 3 of Appendix 1 advises of the priority investment areas identified for the 2019/20 to 2023/24 period that will be taken forward subject to the availability of resources and the approval of a full business case.

- 2.1.12 There is a requirement for continued funding of existing programmes of work on:

- Corporate Major Repairs /Disability Discrimination Act (DDA) Adaptations/ Legionella / Health and Safety Projects (Corporate Landlord Function)
- School Condition Works
- ICT Strategy
- Social Care
- Environmental Services
- District Investment Fund

In addition to the projects specifically referred to above, the following is a list of further/new projects for which funding may be required:

- a) Social Care
- b) Better Care Fund (Disabled Facilities Grant)
- c) Upgrade to Crematorium Facilities
- d) Low Carbon and Energy Efficiency Initiatives
- e) School Investment/ Pupil Places Pressures
- f) Surplus Sites
- g) Working with NHS Partners
- h) AGMA investment Fund Loans
- i) Town Centre Regeneration
- j) Borough-Wide Regeneration
- k) Car Parking
- l) Housing Initiatives
- m) GM Devolution and Related Initiatives
- n) Matched Funding For Grant Bids
- o) Northern Roots
- p) Royton Town Centre Development
- q) Transport Capital Programme
- r) Fleet Management

- 2.1.13 The Strategy does however include a longer term vision, a forward look at those projects that are likely to run beyond the five year strategy and programme period or be initiated subsequently. This covers a timeframe for the 10 years from 2024/25 to 2033/34.

Supporting Greater Manchester Devolution

- 2.1.14 Section 4 of Appendix 1 advises that devolution continues to transfer more powers and responsibilities from Central Government to Greater Manchester and that as Greater Manchester's local Councils have a history of working together, the Council will strive through its capital programme, to continue to support devolution activities.

Affordability, Delivery and Risk Associated with the Capital Schemes

- 2.1.15 One of the new requirements for 2019/20 is to state how the Council will ensure that its capital spending plans are affordable, how delivery of projects will be ensured and how risks associated with the capital programme are managed. This is outlined at Section 5 of Appendix 1.

Knowledge and Skills

- 2.1.16 Another new requirement for 2019/20 is a section on the knowledge and skills of the staff who have responsibility for preparing and on-going management of the capital and treasury management strategies and other key activities in relation to the management of the capital programme. Members can be assured that the has Council suitably skilled and experienced staff and appropriate governance arrangements are in place, as set out more fully in Section 6 of Appendix 1.

Treasury Management

- 2.1.17 The Capital and Treasury Management Strategies of the Council are closely linked and Section 7 of Appendix 1 therefore sets out how each are prepared to have regard to the key issues and ensuring a complementary and fully aligned approach.

Long Term Loans

- 2.1.18 Section 8 of Appendix 1 advises that the Council has the ability, should it choose to exercise its powers, to enter into loan arrangements to support delivery of strategic corporate priorities. It also advises that the Council has chosen to make limited use of its ability to enter into loan arrangements, but there is strong governance in place to ensure robust decision making should it be required.

Commercial Activity

- 2.1.19 Section 9 of Appendix 1 advises that the Corporate Property Investment Strategy gives the Council approval to invest in property solely to generate additional income to support the Council's mainstream service delivery and that the Council also has Treasury Management investments that generate an income stream from property. However, Members can be assured that any such investments are only undertaken after an appropriate due diligence exercise.

Capital Resources to Support Capital Expenditure

- 2.1.20 Section 10 of Appendix 1 sets out the range of resources that the Council will rely on to support capital spending. 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.

This section also highlights the circumstances where capital receipts will be ringfenced to support specific purposes. This includes ringfencing of up to £3m to support the Council's use of flexibility in the utilisation of the capital receipts (see section 2.1.26).

Capital Investment and Disposal Appraisal

- 2.1.21 Section 11 of Appendix 1 advises that all capital investment will be commissioned on the recommendation of the CIPB which will enable any expenditure and its funding to be better aligned with corporate priorities, partners and funding sources. It also advises that the:
- Governance of the Council's land and property portfolio is provided via the Land and Property Protocols which form part of the Council's Constitution; and
 - Corporate Property Board oversees acquisition and disposal of land and property assets and monitors the progress of the asset rationalisation programme and performance of the investment portfolio.

How the Capital Requirement will be Prioritised

2.1.22 Section 12 of Appendix 1 advises that once a bid for capital expenditure has passed through the Gateway process, has demonstrated that it meets Council Objectives, and links to the Greater Manchester Strategy (if appropriate), and it has been agreed that it is suitable for capital investment, the strategic requirements will be prioritised using a range of criteria which are not mutually exclusive or in ranking order. Detailed in full at Section 12, these include:

- The relationship to mandatory, contractual or legislative service delivery requirements.
- Whether the project is required to achieve the delivery of a specific revenue budget saving within the revenue budget setting process.

How the Council will Procure its Capital Projects

2.1.23 Section 13 of Appendix 1 advises that the structure of the Council's procurement and strategic relationship management function includes designated Commercial Procurement Managers whose focus it is to support all capital projects and can therefore take advantage of opportunities for greater efficiency by selection of the most effective procurement processes to ensure the best commercial solution.

How the Council will Measure the Performance of the Capital Programme

2.1.24 Section 14 of Appendix 1 highlights the approach to managing the performance of the Capital Programme. It advises that the Council's strong programme management approach is modelled on the PRINCE 2 project management methodology and the Office of Government Commerce (OGC) Gateway Review System. This ensures that investments are planned, managed and delivered prudently. In addition, the CIPB has a remit to review the financial performance of the capital programme and it receives a monthly monitoring report and undertakes a detailed annual review of the capital programme.

The Capital Investment Programme Board

2.1.25 Section 15 of Appendix 1 advises that the CIPB will continue in its role as an Advisory Board chaired by the Deputy Leader and Cabinet Member for Finance and Corporate Resources. The Board is supported by a range of key officers. The CIPB will make recommendations which can be approved under delegated powers as appropriate. Its terms of reference are presented at Annex B to Appendix 1.

Flexible use of Capital Receipts Strategy

2.1.26 The Council is proposing to utilise the flexibility provided by the Ministry of Housing, Communities and Local Government (MHCLG) to use capital receipts to fund the revenue cost of transformation. The 2019/20 revenue budget will rely on up to £3m of such funding from capital receipts. Annex D sets out the required Flexible Use of Capital Receipts Strategy which advises of the summary of planned receipts and summary of planned use and savings.

2.2 Capital Programme 2019/20 to 2023/24

2.2.1 The Council is required to set out its capital programme for the period 2019/20 to 2023/24 based on the principles of the Capital Strategy. As previously advised, an initial timeframe of five years has been adopted. The Capital Programme and Capital Strategy have, at this stage, been influenced by the level of resources considered available. The level of prudential borrowing included reflects the financing available in the revenue budget, capital receipts align with forecasts and grant funding and other contributions are based on already notified allocations or best estimates at 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 2019/20 is influenced by the performance of the capital programme for 2018/19. A review has taken place of planned spending in 2018/19 and the programme has been re-profiled as necessary with future years estimates updated.

Update on the 2018/19 Capital Programme

2.2.3 Capital spending in relation to the 2018/19 capital programme is a key determinant of the 2019/20 programme. As many schemes span more than one year, the anticipated level of reprofiling between years sets the underlying position.

2.2.4 The capital programme for 2018/19 was approved at the Council meeting of 28 February 2018, with expenditure of £89.658m and supporting financing. This was supplemented by re-profiling of £1.342m from the previous year and has subsequently been amended month on month to reflect agreed changes. This includes the actions arising from the findings of the 2018/19 annual review of the capital programme, a comprehensive project by project scrutiny of all schemes in the programme. This was conducted by the CIPB over the summer/autumn months of 2018.

2.2.5 The latest available capital monitoring report for the 2018/19 to 2022/23 Capital Programme at month 8 (a separate item on the agenda) includes capital expenditure totalling £48.952m for 2018/19 matched with corresponding financing. The People and Place Directorate which manages all of the major regeneration projects, constitutes the main area of expenditure (£31.265m). Prudential Borrowing provides the main source of financing (£26.995m) followed by Grants and Other Contributions (£16.068m).

2.2.6 Actual expenditure to 30 November 2018 was £24.637m (50.33% of forecast outturn). This spending profile is in line with previous years, however the position will be kept under review and budgets will continue to be managed in accordance with forecasts.

2.2.7 The month 8 2018/19 capital spending and financing position is set out in the table below.

Table 1 - Revised 2018/19 Capital Programme

| Directorate Expenditure | Capital Programme as at M08 £000 |
|---|-------------------------------------|
| Corporate and Commercial Services | 14,174 |
| People and Place | 31,265 |
| Health & Adult Social Care Community Services | 1,894 |
| Reform | 216 |
| Housing Revenue Account | 1,097 |
| Funds yet to be Allocated | 306 |
| Total Expenditure | 48,952 |
| Grants and Other Contributions | (16,068) |
| Prudential Borrowing – General | (26,995) |
| Revenue (HRA & General Fund) | (96) |
| Capital Receipts Required | (5,793) |
| Total Resources | (48,952) |

2.2.8 The revised capital programme requires the availability of £5.793m of capital receipts in 2018/19 for financing purposes. The total net usable capital receipts currently received in year, inclusive of £8.747m carried forward from 2017/18, is £12.350m.

2.2.9 The capital receipts position as at 30 November 2018 is as follows:

Table 2 - Capital Receipts Position

| Capital Receipts Position | £000 |
|---|----------------|
| Capital Receipts Available | (12,350) |
| Expenditure to be Funded from Capital Receipts | 5,793 |
| Forecast Capital Receipts Carried Forward (including anticipated receipts) | (6,557) |

2.2.10 The level of Capital Receipts anticipated in 2018/19 is in excess of in year funding requirements and will enable £6.557m of resources to be carried forward to support expenditure in 2019/20.

2.2.11 As referred to at 2.2.4 above, the annual review of the capital programme examined all schemes to give Members confidence that planned expenditure remained relevant and aligned with corporate objectives. The capital programme for 2019/20 (and future years) reflects the results of the review.

2.2.12 It is anticipated that the 2018/19 position will still continue to change as Cabinet reports are approved and with amendments reviewed by the CIPB and approved under delegated authority as a result of the on-going monitoring process.

2.3 Proposed Expenditure for 2019/20 to 2023/24

2.3.1 The table below sets out the summary of the anticipated expenditure and matched financing of £262.198m, which incorporates resources expected to be carried forward from 2018/19. The proposed 2019/20 to 2023/24 programme reflects the 2018/19 month 8 position (summarised previously) together with an enhanced projection of expenditure for 2019/20 to 2023/24 incorporating anticipated spending on new initiatives and an allowance, at funds yet to be allocated for new priorities to be supported. The detailed programme is set out at Annex C of Appendix 1 on a Portfolio basis.

Table 3 - Capital Programme 2019/20 to 2023/24

| Proposed Capital Spending | 2019/20 £000 | 2020/21 £000 | 2021/22 £000 | 2022/23 £000 | 2023/24 £000 |
|-----------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Corporate and Commercial Services | 17,912 | 8,493 | 6,719 | 1,614 | 249 |
| People and Place | 54,403 | 63,081 | 70,544 | 8,897 | 3,615 |
| Health & Adult Social Care | 2,682 | 1,400 | 400 | 400 | 400 |
| Community Services | | | | | |
| Reform | 100 | 100 | 700 | 200 | 200 |
| Housing Revenue Account | 4,235 | 1,632 | 922 | 800 | 0 |
| Funds Yet to be Allocated | 5,000 | 3,000 | 1,500 | 1,500 | 1,500 |
| Total Expenditure | 84,332 | 77,706 | 80,785 | 13,411 | 5,964 |

| Funding | 2019/20 £000 | 2020/21 £000 | 2021/22 £000 | 2022/23 £000 | 2023/24 £000 |
|--------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Grants and Other Contributions | (34,661) | (25,375) | (17,776) | (6,973) | (1,973) |
| Prudential Borrowing - General | (26,713) | (43,919) | (48,558) | (3,064) | (42) |
| Revenue (HRA & General Fund) | (3,916) | (4,106) | (5,822) | (800) | 0 |
| Capital Receipts | (19,042) | (4,306) | (8,629) | (2,574) | (3,949) |
| Total Funding | (84,332) | (77,706) | (80,785) | (13,411) | (5,964) |

2.4 Resources Available to Support the Capital Programme

2.4.1 The Government is continuing to provide significant levels of grant funding, after an initial reduction at the start of the austerity period. Some new funding initiatives have been introduced, some of which carry through to 2019/20 and beyond. Grants have been awarded/anticipated for Education, Social Care and Transport projects. The Council has not yet received all grant allocations for 2019/20. The grants will be incorporated into the capital programme when the notifications have been received.

2.4.2 The main source of grant income remains education-related with Basic Need Capital grant funding allocations totalling £20.310m for 2019/20 and £9.819m for 2020/21. The School Condition Allocation grant is anticipated with an indicative allocation of £1.700m for 2019/20, which acknowledges some funding will be lost as more schools convert to academy status. This has been part re-profiled to 2020/21 to reflect the current planned work programme. The resources available to support the programme are described in more detail in the following sections.

Government Grant Funding

- 2.4.3 The Government resources available to the Council can be split into two categories: un-ringfenced and ringfenced resources, as explained in Section 10 of the Capital Strategy.
- 2.4.4 Some Government grant resources have been moved between financial years in order to support re-profiled expenditure as detailed in Annex C of Appendix 1.
- 2.4.5 The resources available can also be split between those which do not have revenue consequences and those that do have revenue consequences and therefore require financing through the revenue budget.

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. Un-ringfenced resources are those that can be utilised to finance any project (albeit there is usually an expectation of use for a specific purpose). The vast majority of capital Government Grant funding is un-ringfenced. Resources classified as ringfenced have to be utilised to finance particular categories of expenditure and therefore are restricted in their use. The 2019/20 capital programme relies on £26.972m of un-ringfenced and £7.689m of ringfenced grants.

2) Capital Receipts

This is income received from the sale of Council assets and is usually un-ringfenced. The 2019/20 programme relies on £19.042m of capital receipts. As highlighted at 2.2.9, £6.557m of which will be carried forward from 2018/19.

In general it should be noted that a prudent approach has been taken in relation to the anticipated level of receipts with no resources assumed in excess of the requirement to support already approved schemes. However, taking advantage of flexibilities around the use of capital receipts introduced by the Government, the Council anticipates using up to £3m of capital receipts in 2019/20 to support transformational projects which would otherwise be financed by revenue resources.

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 programmes which could not otherwise have been funded. The 2019/20 programme relies on £26.713m of prudential borrowing which has been fully financed.

- 2.4.6 As in previous years, the major source of financing remains prudential borrowing; the amount required in 2019/20 includes borrowing attributed to schemes that have slipped from prior years. The Council will aim to reduce the amount of borrowing and associated financing costs by maximising grant income and capital receipts. Some borrowing, in relation to commercial activities, 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.

2.5 Capital Requirements for 2019/20

Resources Committed in 2019/20 to 2023/24

- 2.5.1 A review of the capital programme has highlighted that there is already a full range of commitments for the period 2019/20 to 2023/24 and additional funding allocations totalling £53.742 reducing to a net £46.919m as explained below, have been included to support a number of schemes. The table below shows the associated financing:

Table 4 - Additional Resources Included in the Capital Programme 2019/20 to 2023/24

| Financing | £000 |
|------------------------|-----------------|
| Prudential Borrowing | (25,212) |
| Capital Receipts | (18,051) |
| Revenue Contributions | (4,844) |
| Grants & Contributions | (5,635) |
| Total | (53,742) |

However, due to the revision in contributions to schemes from external funders, the anticipated grant contribution element of the funding has reduced by £6.823m. In overall terms the increase from the 2018/19 projected capital programme is £46.919m.

- 2.5.2 The capital commitments are set out in the following paragraphs and are shown in detail at Annex C of Appendix 1 of this report. There will be a continued review of capital spending requirements as the Council has further regeneration ambitions. This will however require a further phase of investment and the preparation of a new investment programme.

Corporate and Commercial Services Directorate

- 2.5.3 Total projected spending on Corporate and Commercial Services projects is £34.987m over the strategy period. A total of £11.377m relates to ICT related schemes and the Investment/Income Generation Opportunities totals £20.610m. The funding for Investment/Income Generation opportunities is intended to enable the Council to take advantage of schemes which provide a sustainable income stream to support the Council's budget from the acquisition or investment in property assets whilst having regard to risk management considerations. Planned Directorate spending is phased as set out below:

Table 5 - Corporate and Commercial Directorate Expenditure over the Capital Strategy 2019/20 to 2023/24

| | 2019/20 £000 | 2020/21 £000 | 2021/22 £000 | 2022/23 £000 | 2023/24 £000 |
|---|-----------------|-----------------|-----------------|-----------------|-----------------|
| Information Technology | 6,212 | 1,583 | 1,719 | 1,614 | 249 |
| Investment / Income Generation Opportunities | 8,700 | 6,910 | 5,000 | 0 | 0 |
| Flexible Use of Capital Receipts | 3,000 | 0 | 0 | 0 | 0 |
| TOTAL | 17,912 | 8,493 | 6,719 | 1,614 | 249 |

People and Place Directorate

- 2.5.4 There is planned Directorate expenditure of £200.539m over the period 2019/20 to 2023/34 as shown below:

Table 6 People and Places Directorate Expenditure over the Capital Strategy 2019/20 to 2023/24

| | 2019/20 £000 | 2020/21 £000 | 2021/22 £000 | 2022/23 £000 | 2023/24 £000 |
|------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| People and Place Directorate | 54,403 | 63,080 | 70,544 | 8,897 | 3,615 |

The major areas of expenditure in relation to 2019/20 are as follows:

Table 7 - People and Places Directorate Expenditure 2019/20

| Service Area | £000 |
|--|---------------|
| Corporate Property including Major Repairs/DDA & Schools Condition works | 3,381 |
| Neighbourhood Development Fund | 97 |
| Other Regeneration Priorities including Hollinwood/ Langtree, Public Realm, Environment & Strategic Acquisitions | 1,868 |
| Private Sector Housing | 2,808 |
| Royton Town Centre Development | 1,693 |
| Schools – General | 10,435 |
| Schools – Primary | 161 |
| Schools – Secondary | 12,229 |
| Schools - Special | 1,000 |
| Town Centre & Borough-wide Regeneration | 7,694 |
| Transport (including Fleet) | 13,037 |
| TOTAL | 54,403 |

- 2.5.5 Clearly, the main focus of spending is schools, town centre and borough-wide regeneration. These areas encompass a wide range of high priority schemes as detailed in Annex A of Appendix 1. It is however, possible that some of this spending maybe re-profiled as 2019/20 progresses.
- 2.5.6 Another significant area of spending is transport, covering a wide range of major highways schemes together with the continuation of the planned £18.000m investment in the carriageway improvement programme approved at Cabinet in November 2017.

Health and Adult Social Care Community Services Directorate

2.5.7 There is planned Directorate expenditure of £5.282m phased over the 5 year programme as set out below:

Table 8 - Health and Adult Social Care Community Services Directorate Expenditure over the Capital Strategy 2019/20 to 2023/24

| | 2019/20 £000 | 2020/21 £000 | 2021/22 £000 | 2022/23 £000 | 2023/24 £000 |
|---|-----------------|-----------------|-----------------|-----------------|-----------------|
| Health and Adult Social Care Community Services Directorate | 2,682 | 1,400 | 400 | 400 | 400 |

This area of spending is focused on Social Care. The major areas of expenditure in relation to 2019/20 are as follows:

- Resources of £0.549m are specifically allocated in 2019/20 to support local Social Care Schemes (including re-phasing of £0.149m from 2018/19).
- Indicative funding of £2.133m relating to the expansion of the Disabled Facilities Grant (including re-phasing of £0.219m from 2018/19).

Housing Revenue Account

2.5.8 Projected spending on Housing Revenue Account projects of £7.590m over the life of the programme is phased as follows:

Table 9 - Housing Revenue Account Expenditure over the Capital Strategy 2019/20 to 2023/24

| | 2019/20 £000 | 2020/21 £000 | 2021/22 £000 | 2022/23 £000 | 2023/24 £000 |
|-------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Housing Revenue Account | 4,235 | 1,632 | 922 | 800 | 0 |

The primary focus of this the Supported Housing for adults with a Learning Disability and/or complex behaviour (SHALD), a key element of the Housing Initiatives Programme.

Reform Directorate

2.5.9 There is planned Directorate expenditure of £1.300m over the 5 year life of the programme as shown below.

Table 10 Reform Directorate Expenditure over the Capital Strategy 2019/20 to 2023/24

| | 2019/20 £000 | 2020/21 £000 | 2021/22 £000 | 2022/23 £000 | 2023/24 £000 |
|--------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| District Investment Fund | 100 | 100 | 700 | 200 | 200 |

- All the spending in the Reform Directorate reflects spending in relation to the District Investment Fund. The majority of spend is expected in the later years of the programme.

2.6 Proposed Capital Programme

2.6.1 Annex C of Appendix 1 of this report details the proposed 2019/20 Capital Programme and the indicative programme for the period 2020/21 to 2023/24. 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. Within the programme, there is currently an unallocated resource of £12.500m as highlighted below:

Table 11 - Funds yet to be allocated Expenditure over the Capital Strategy 2019/20 to 2023/24

| | 2019/20 £000 | 2020/21 £000 | 2021/22 £000 | 2022/23 £000 | 2023/24 £000 |
|---------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Funds yet to be allocated | 5,000 | 3,000 | 1,500 | 1,500 | 1,500 |

2.6.2 The use of these unallocated resources will be prioritised by the CIPB including any realignment into future years. It is expected that all of these resources will be used over the life of the programme.

2.6.2 Total expenditure in 2019/20 is planned at £84.332m. However, the position is anticipated to evolve as:

- There may be further Government funding allocations announced prior to the start of 2019/20.
- The outcome of specific grant bids will be announced during 2019/20.
- 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.

2.6.3 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 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 that Cabinet approves the proposed Capital Strategy and Capital Programme as set out in this report, including priority investment proposals, and commends it to Council.

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 2019/20 to 2023/24 Capital Strategy and Capital Programme. Consultation also took place with the Overview and Scrutiny Performance and Value for Money Select Committee on 24 January 2019. The Select Committee was content to commend the report to Cabinet.

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 2019/20 capital programme.
- 6.2 In overall terms, the planned programme for 2019/20 to 2023/24 totals £262.198m which is fully financed. The revenue consequences of the anticipated prudential borrowing of £122.296m is included within the estimates underpinning the proposed revenue budget and MTFS.

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. 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 unfunded ongoing legal liabilities, potential overspending requiring an unbudgeted allocation of resources and the general risks around the uncertainty over the nature and level of the 2019/20 and future years' capital funding.
- 10.3 Following the issue of the revised Prudential and Treasury Management codes a section on the risks associated with the Capital Programme must be included within the Capital Strategy document. The risk section can be found in Appendix 1, paragraph 5.13 to 5.21.

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 and Commercial Property Investment Strategy and Fund.

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 FCR-11-18

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: | Lee Walsh |
| Contact No: | 0161 770 6608 |

20. **Appendices**

20.1 Appendix 1 – Capital Strategy 2019/20 to 2023/24