Appendix 1

Oldham Council

Capital Strategy 2019/20 to 2023/24

Capital Strategy 2019/20 to 2023/24

Contents

1 Aims of the Capital Strategy and its Links to the Council's Corporate Plan, Medium Term Property Strategy, Commercial Property Investment Strategy and Fund and Budget Framework

1.1 In accordance with good practice, the Council has traditionally prepared a Capital Strategy, the overarching aim of which has been 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 a five year time-frame from 2019/20 to 2023/24 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 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 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.

1.5 This 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.

1.6 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 (Minimum Revenue Provision policy);
- For non-loan type investments, the cost against the current market value;
- The risks associated with each activity.

1.7 A requirement is that the Capital Strategy demonstrates the concept of proportionality between the treasury operations and the non-treasury operations. High-level indicators are referred to in Section 5.

The Council's Corporate Plan

1.8 Capital investment plans are driven by the Council's Corporate Plan. The Corporate Plan is the Council's key strategic document and outlines the Council's contribution to achieving the vision and outcomes detailed in the Oldham Plan, as well as priority areas of focus and delivery aimed at taking forward our vision of a co-operative future where everyone does their bit to create a confident and ambitious borough. All capital investment proposals will therefore be evaluated in accordance with a range of criteria, a key one of which the contribution to the delivery of the aims of the corporate plan.

1.9 The Oldham Plan, the Oldham Partnership's plan for the borough, was endorsed by Council in July 2017. It is a collective action statement covering the period 2017-2022 and sets out the areas where the Oldham Partnership will add the most value as a partnership to achieve the ambition for Oldham to be a productive and co-operative place with healthy, aspirational and sustainable communities. The three key strands underpinning the plan are:

- **Inclusive Economy**
  The vision is for Oldham to become Greater Manchester's Inclusive Economy capital by making significant progress in living standards, wages and skills for everyone.

- **Thriving Communities**
  The vision is for people and communities to have the power to be healthy, happy and able to make positive choices and both offer and access insightful and responsive support when required.

- **Co-operative Services**
  The vision is to collaborate, integrate and innovate to improve outcomes for residents and create the most effective and seamless services in Greater Manchester.

1.10 The Corporate Plan 2015-2020 was refreshed and updated to sharpen its focus and ensure alignment with the Oldham Plan and was approved by Council, alongside the Oldham Plan, in July 2017. Work on the new Corporate Plan for 2020 – 2025 will begin in 2019. The new Corporate Plan will reflect the revised administration priorities, as well as providing stronger links with the Greater Manchester priorities.

1.11 Having regard to the requirement for the demonstration of the delivery of corporate and service priorities, individual scheme proposals will only be included within approved capital spending plans or considered for a resource allocation over the period of the Capital Strategy where this is considered appropriate in the context of the Medium Term Property Strategy and the Commercial Property Investment Strategy.

Medium Term Property Strategy

1.12 In August 2018, the Council adopted a Medium Term Property Strategy (MTPS). This, at a high level, incorporates a detailed Asset Management Plan for every group of assets the Council has. This plan was agreed at Cabinet for the term 2018 to 2022.

1.13 For any organisation such as the Council, with a diverse property portfolio, best practice recommends that the Property Strategy describes the general direction that the organisation's 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 Property Strategy presents such a vision and reflects the operational and business strategy of the organisation.

1.14 The MTPS and its implementation will be key to the Council achieving both cost savings and a more efficient use of the corporate estate, which will contribute to the delivery of approved and proposed budget reductions. During 2018/19, the first year of the MTPS, a significant amount of benchmarking and work has taken place to develop relevant and robust financial indicators to ensure that the Strategy is fit for purpose and able to achieve its aims and objectives.

Commercial Property Investment Strategy and Fund

1.15 In December 2017, Cabinet approved the Commercial Property Investment Strategy and Fund (CPIS). This established a fund to facilitate development in 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 provides the necessary approval to use capital resources to invest in property assets to create a revenue return.

1.16 The Commercial Property Investment Strategy sets out the following:

- The Council's objective to acquire property assets for investment purposes thereby generating a sustainable future income stream to support the Council's mainstream service delivery.
- The role of property acquisition within that objective, recognising the possible risks together with Financial and Legal implications and clarifying the legal power used to operate the Strategy and ensure continued compliance.
- The acquisition process;
- The financial resources available to facilitate the acquisition strategy; and
- The future management of property held specifically for income generation purposes.

1.17 The Council is therefore seeking property investments that produce the highest returns possible, whilst carrying an acceptable level of risk. The main mitigation measures in managing risk is to target investments which are let to nationally recognised, well established and financial sound tenants and on relatively long leases, and having a diversified investment portfolio by sector and geography.

1.18 Although the detailed financing decision will be dealt with on a case by case basis, resources are available in the capital programme for property acquisitions. However, acquisitions will be financed from a combination of:

a) Earmarked Reserve
b) Unallocated capital resources
c) Prudential Borrowing
d) Capital Receipts from the disposal of investment properties managed through the CPIS

1.19 In addition, the 2019/20 to 2023/24 Capital Strategy is influenced by the principles which frame the overarching budget process for 2019/20 and are driven by the concept of a Co-operative Council. The Council is therefore aiming to take a strategic view in relation to capital investment so that it can be directed to make a real and demonstrable impact on the economy of Oldham by:

a) Regenerating the borough, building on the established investment programme, by attracting and securing significant amounts of external investment to supplement Council resources and deliver an enhanced borough-wide regeneration offer.

b) Prioritising the regeneration investment to develop the local economy and to support job creation and the Get Oldham Working initiative.
c) Using the regeneration investment to drive up Gross Value Added (GVA) and increase the yield from business rates, taking advantage of the 100% Business Rates Retention Pilot scheme which commenced across Greater Manchester on 1 April 2017. This is providing additional resources which are being used to support the Council's 2019/20 budget.

1.20 The Council will also:

a) Work with partners as a co-operative and commissioning borough particularly with regard to the integration of health and social care to take advantage of joint investment opportunities, co-location and the release of surplus assets.
b) Instigate further transformational approaches to the delivery of services with and by communities and staff, that maximise involvement and delivery at a more local level, working with residents to reset priorities, manage expectations and promote self-help.
c) Get the basics right, drive improved business performance with more flexible ICT systems and instigate new delivery models with place-based working.
d) Focus on effective service delivery, achieving social value and maximising the impact of the resources invested.

1.21 The corporate objectives therefore also help underpin one of the main priorities of the Council which is the continuing development of a new relationship with citizens, communities, partners and staff.

Working with Partners

1.22 The Council is a key member of and a driving force in the activities of the Oldham Strategic Estates Group (SEG). The Department of Health initially required all Clinical Commissioning Groups (CCG) to establish a SEG within their locality, and whilst the group initially had a 'Health' focus, this has been broadened to encompass a 'One Oldham Estate' approach, closely aligned to the Government's One Public Estate (OPE) principles which in essence seek to maximise the efficient use of the public sector estate by co-location/joint service delivery, releasing surplus land and property to support regeneration, residential development and inward investment. The Oldham SEG has a 'strategic' rather than 'operational' focus, and has developed a Strategic Estates Plan (SEP), identifying development of integrated public sector hubs and mapping existing estate and utilisation as key priorities. The SEP is closely aligned to and supports delivery of Oldham's Locality Plan for Health and Social Care.

1.23 The Strategic Estates Group (SEG) in Oldham is attended by a wide range of public sector partners, including the Clinical Commissioning Group (CCG), NHS Property Services Ltd (NHSPS), Greater Manchester Police (GMP), North West Ambulance Service (NWAS), North West Fire Service (NWFS), Community Health Partnerships (CHP), Action Oldham, and Pennine Care NHS Foundation Trust. Recognising the strategic focus of the group it has been supplemented in 2018/19 with the formation of the Operational Working Group. The group functions as the 'delivery arm' to ensure that the SEG remains strategic and One Public Estate focused. It reports to the SEG on key work areas, such as the project pipeline and increasing building utilisation.

2 The Principles of the Capital Strategy

2.1 Having regard to the aims of the Capital Strategy in the achievement of corporate objectives and in order to focus capital resources and to gain maximum benefit from their use, the overarching principles of the Capital Strategy are summarised in paragraphs 2.2 to 2.17 and detailed in the rest of the document.

2.2 The Capital Investment Programme Board (CIPB) will lead the strategic direction of capital investment for the Council. The CIPB will operate on a commissioning basis. This will enable funding to be better aligned with other partners and funding sources and will link into the principles of the Co-operative Council. In accordance with the commissioning approach being championed within the Council, there continues to be a requirement for links to regional strategies and programmes. As such, the Council must ensure that, when it applies for funds on a regional basis (either individually or part of a collective bid), it uses its best endeavours to reflect local and regional priorities. The Council must therefore ensure that its Capital Strategy reflects the Greater Manchester (GM) Strategy and links into those strategies of other GM Authorities and partners.

2.3 All schemes already approved in the capital programme or contractually committed will be supported and sufficient resources will be provided to enable them to proceed or complete. These schemes are presented in Annex A, Current Capital Priorities.

2.4 A capital project sponsor must also be able to demonstrate that a rigorous process of options appraisal has been followed, requiring evidence of need, cost, risk, outcomes and methods of financing. Capital investment proposals which will result in a revenue cost saving or efficiency are encouraged. The Strategic Regeneration Project Management Office has a clear role in ensuring that all the key questions have been asked at the initiation stage of a project.

2.5 All capital investment decisions will be made with reference to Council objectives and regional strategies and, only after a positive contribution to one or more of the objectives has been demonstrated, is a project to be considered for resource allocation.

2.6 The CIPB will ensure that the Council can take full advantage of the freedom and flexibility afforded by the removal of ringfencing from most funding allocations to facilitate achievement of the Council's objectives. All un-ringfenced capital funding and other non-specific Council capital resources that are not required to support existing commitments will initially be pooled into one central fund. Regard will however be had to obligations around the:

a) Transport agenda and transport grant funding.
b) Current pressure on primary and secondary school places in certain areas of Oldham and the lack of capacity in the current school stock and the Education Basic Need Government grant funding allocation to address such issues.
c) Funding of adaptations to homes for the disabled and Disabled Facilities Grant funding.
d) Social Care funding requirements arising from pooled budget arrangements.

Un-ringfenced grants received in support of the above initiatives will be passported in full to these four areas.

2.7 There will be no ringfencing of capital receipts to specific projects, with the exception of those detailed in section 10.3.14.

2.8 The capital strategy will support the implementation of the approved CPIS by the allocation of resources and facilitating the introduction of activities required to promote the objectives of the strategy which include providing a sustainable income stream to support the Council's revenue budget from the acquisition of property assets.

2.9 For the purposes of preparing the Capital Strategy and Capital Programme for 2019/20, an assumption has been made that all resources that remain unallocated within the 2018/19 programme will be treated as though they are fully-committed and carried forward into 2019/20 as a central pool for reallocation to other projects.

2.10 As well as using traditional funding mechanisms to finance capital schemes, the Council will also consider the use of new initiatives and develop these options if it is considered financially advantageous in the context of the Council achieving its capital investment objectives.

2.11 Any public/private partnerships and initiatives requiring the deployment of Council capital resources or impacting in any way on the overarching capital investment policies or plans of the Council should be presented for consideration to the CIPB. The resources deployed to support such projects will also be subject to on-going review by the CIPB.

2.12 The Council is conscious that the Government could in the future introduce a range of grant funding opportunities for which bids must be submitted at short notice, some of which may have a matched funding requirement. The Council will respond as it considers appropriate to bidding opportunities, ensuring that bids are submitted which align with its objectives and capital investment priorities and that matched funding requirements are considered on a scheme by scheme basis with resource requirements prioritised accordingly.

2.13 The development of new or replacement schools will be led by the Education and Skills Funding Agency (ESFA) and such schools will be created as academies. Mindful of its overarching responsibility for the provision of education, where necessary, the Council will support increased ESFA projects using its land assets and/or financial resources.

2.14 Given the evolving devolution agenda and the expectation that the Council will work in a collaborative manner with the Greater Manchester Combined Authority (GMCA), Association of Greater Manchester Authorities (AGMA) and NHS partners, bids to the GMCA, the NHS or other organisations which may have a matched-funding requirement will be prioritised. Regard will be had during the appraisal process to ensure that the Council's objectives and capital investment priorities are achieved.

2.15 As the Council moves towards greater integration with Oldham CCG and other NHS partners, the Council will prioritise the allocation of capital resources to support cross sector projects including facilities for joint service provision and the co-location of teams, with any consequent asset rationalisation.

2.16 The Council will seek to make best use of opportunities offered by the Government from a range of policy announcements including the 2018 Autumn Budget. The Budget announced additional transport funding for major local routes and potholes and confirmed that the Housing Revenue Account (HRA) borrowing cap has been removed. Additional money will be allocated to the Housing Infrastructure Fund to try achieve the target of unlocking up to 650,000 new homes nationally.

2.17 The Council will have a number of capital investment priorities. Whilst these are initially set on an annual basis, it will review and update the priorities in accordance with in-year developments, responding to local and national emerging issues. The priorities for 2019/20 to 2023/24 are set out in Section 3.

3 Priority Areas for Investment

3.1 The priority investment areas identified for the 2019/20 to 2023/24 period are covered below. This section highlights potential priority investment areas for 2019/20 onwards. These will be taken forward subject to the availability of resources and the approval of a full business case.

3.2 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

3.3 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

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.

3.4 Further details of the capital priorities can be found in Annex A of this Capital Strategy.

4 Supporting Greater Manchester Devolution

4.1 Devolution continues to transfer more powers and responsibilities from Central Government to Greater Manchester. Greater Manchester's local Councils have a history of working together. This record of co-operation, and the creation of the GMCA, helped Greater Manchester lead the way on city-region devolution through the original 2014 Devolution Agreement.

4.2 The agreement gives the region additional powers, and greater accountability through an elected Mayor. In May 2017 Andy Burnham was elected Mayor of Greater Manchester and he chairs a review of the Greater Manchester Strategy. Of the transferred powers, the most significant in relation to the Council's capital strategy have regard to Housing and Infrastructure.

4.3 Housing is a major policy initiative at both a regional and local level over the next five years. Oldham has a strong pipeline of housing projects and work has been taking place with First Choice Homes Oldham (FCHO) on a number of future funding opportunities that may come available.

4.4 The Council will continue to align the use of its capital resources to support GM initiatives and work with partners accordingly.

5 Affordability, Delivery and Risk Associated with the Capital Strategy

5.1 In compliance with the requirements of the Prudential and Treasury Code, the following sections look at the Council's capital financing and treasury management activity and its contribution to the provision of services along with an overview of how associated risk is managed and the implications for future sustainability looking at Prudence, Affordability and Sustainability.

5.2 The table below shows the Council's current borrowing position and its borrowing need including the Council's Capital Financing Requirement (CFR). The CFR represents total historic outstanding capital expenditure which has not yet been financed from either revenue or capital resources (£525.005m for 2019/20). It is essentially a measure of the Council's underlying borrowing need. Any capital expenditure, which is not immediately financed from cash backed resources, will increase the CFR.

5.3 The Council has a number of on-going Private Finance Initiative arrangements for the delivery of assets and services, presented at Other Long Term Liabilities (OTLT*) in the table below (£246.143m at the start of 2019/20) which has the effect of inflating the CFR. As can be seen, the Councils actual level of borrowing at the start of 2019/20 is expected to be £147.849m

	2019/20 Estimate £'000	2020/21 Estimate £'000	2021/22 Estimate £'000	2022/23 Estimate £'000	2023/24 Estimate £'000
External Debt					
Debt at 1st April	147,849	167,849	200,349	258,849	258,849
Expected change in debt	20,000	32,500	58,500	0	0
Other long-term liabilities	246,143	235,395	224,125	213,263	204,350
Expected change in OLTL*	(10,747)	(11,270)	(10,862)	(8,912)	(10,672)
Actual gross debt at 31 March	**403,245**	**424,474**	**472,112**	**463,199**	**452,528**
The Capital Financing Requirement	**525,005**	**546,418**	**572,162**	**553,278**	**528,861**
Under / (over) borrowing	**121,760**	**121,944**	**100,050**	**90,079**	**76,333**

5.4 The CFR does not increase indefinitely, as the Council makes 'prudent' provision for debt repayment which broadly reduces indebtedness in line with each asset's life and so charges the economic consumption of capital assets as they are used. The approach to making prudent provision is known as the Minimum Revenue Provision (MRP), in other words, making a direct charge to the Councils revenue budget to reflect the cost of repaying the borrowing. The Council's MRP Policy Statement is set out in the Treasury Management Strategy 2019/20.

5.5 It is important to note that the Council has for a number of years been projecting a borrowing requirement but has not needed to undertake any borrowing as there has been reprofiling of the capital programme and cash balances available, thus resulting in the under borrowed position. This under borrowing is expected to prevail in 2019/20 (£121.760m) and continue beyond 2023/24.

The Affordability, Delivery and the Risks associated with the Strategy

5.6 The Prudential Code states that it is the responsibility of the Councils Chief Finance Officer (Director of Finance) to explicitly report on the affordability, delivery and the risks associated with this Strategy. These key elements are set out in the following paragraphs.

Affordability

5.7 Affordability is a key criterion when considering whether a project should be approved for inclusion within the Capital Programme. Before any decisions are made new schemes are underpinned by a business case identifying the expenditure and funding, appraisal of alternative options and the risks and rewards for the approval of the scheme. The Business Case preparation and consideration process is set out fully in Section 11 of this strategy.

5.8 All projects must also have a clearly identified capital funding source with a definite commitment of financial support if external funding, such as an external grant, is to be used. Also there must be an identified source of funding to support any on-going revenue costs associated with the use of a capital asset.

5.9 Where borrowing is to be used, the affordability test is the ability to fund interest costs linked to the borrowing together with the repayment of the borrowing (the MRP charge). This repayment is matched to a prudent asset life and any income streams estimated to fund this asset must be sustainable. The Prudential Code sets out the requirements for the appropriate governance of such borrowing and the Council's processes comply with the requirements of the Code.

Delivery

5.10 The delivery of the individual schemes within the Capital programme is directly linked to the process of approving the capital scheme. Each scheme has a project sponsor and a project manager responsible for the delivery and the subsequent achievement of the scheme objectives.

5.11 Project updates are provided at the monthly meetings of CIPB as well as an overarching update on the Capital Programme. This facilitates the review and challenge to the delivery of projects and any changes to both the timing and value of the programme. In addition an Annual Review of the capital programme is completed each year in accordance with the terms of reference of CIPB. The Annual Review process ensures that all schemes are examined to determine whether they still meet corporate priorities. The review also considers the deliverability and progress of schemes including any reasons for delayed starts or variations to approved budgetary allocations. It also considers rephasing of planned expenditure and identifies any unutilised or underutilised resources which can be reallocated to other projects.

5.12 The Council's senior officers also have the opportunity to review and challenge project and programme delivery via monthly updates on the changes/re-profiling of expenditure.

Risks

5.13 The Council is exposed to a range of risks with regard to the continued affordability and delivery of it's the Capital Programme and CPIS as follows:

- Financial risks related to the investment of the Council's assets, cash flow and market volatility.
- Macroeconomic risks related to the growth or decline of the local economy, interest rates, inflation and the wider national and global economy.
- Credit and counterparty risks related to investments, loans to public and private institutions.
- Operational risks related to operational exposures within its organisation, its counterparties, partners and commercial interests.
- Strategic risks related to key initiatives undertaken by the Council such as areas of organisational change deemed necessary to enable the Council to meet its goals and objectives, significant capital schemes and major purchases and new ventures.
- Reputational risks related to the Council's dealings and interests, and the impact of adverse outcomes on the Council's reputation and public perception.
- Environmental and social risks related to the environmental and social impact of the Council's strategy and interests.
- Governance risks related to ensuring that prudence and careful consideration are prominent in the Council's decision-making, augmented by quality independent advice and appropriate checks to ensure that the Council has the correct level of oversight, scrutiny and efficiency.

5.14 Managing the Council's risks is an area of significant focus for senior management and Members, and the Council adopts an integrated view to the management and qualitative assessment of risk. The Council aims to minimise its exposure to unwanted risks through a range of mitigation strategies that are considered with each individual business case or capital project.

5.15 However, it is important to recognise that there are significant risks associated with a large Capital Programme and associated borrowing, but these can be mitigated and indeed are mitigated as business as usual. As advised above the robust capital business plan process, together with adequate project management arrangements and/or project boards are in place and projects are delivered by suitably skilled staff. Appropriate consideration is given to tax planning, cash flow and the operational planning for the use of any asset. Governance is addressed by the establishment of officer/Member working groups with regular and transparent reporting. Due diligence is undertaken on loans and purchases and external advice is sought where necessary.

5.16 There are clear links from the Capital Strategy to the Treasury Management Strategy, prudential indicators, authorised borrowing limits and the revenue budget. These are also subject to review and oversight by Members at CIPB, Audit Committee, Cabinet and Council.

5.17 Members recognise that risk increases with any new borrowing, and are mindful of this when considering funding arrangements. New borrowing will increase the Council's annual level of fixed interest and repayment costs which are already currently forecast to increase in the coming years and could exceed a borrowing liability of £452.528m from 2023/24.

5.18 Investment properties carry a different type and level of risk relating to variations in income streams (tenant non-renewal etc.) and from asset values (impact economic conditions and retail trends etc.). The Council has established a clear strategy, criteria and a governance process around such investment purchases (as is demonstrated in the CPIS) to minimise the risk. This includes detailed due diligence, second opinion on asset values, site visits, surveys etc.

Concept of Proportionality

5.19 The Council has approval via the CPIS to invest in acquiring property assets for Investment purposes to generate sustainable future income stream to support the Council's mainstream service delivery. At this current time the Council has not made any purchases.

5.20 However, by having a policy to increase its commercial activities, including potentially funding activities by borrowing, the Ministry of Housing, Communities and Local Government (MHCLG) now requires that regard is had to the "concept of proportionality" and the resulting "level of debt and aggregate risk being proportionate to the size of the authority".

5.21 Although the Council has not to date entered into any commercial activity purely for the purpose of income generation, if it had to demonstrate the concept of proportionality it would use the following indicators:

- Contribution Investment Properties make to core functions – these would include net estimated surplus for the year compared to the Net Revenue Budget for purchases only and the estimated rental income of purchases compared to the Net Revenue Budget
- Total Borrowing related to Investment properties – The % of borrowing related to investment purchases as a % of the total borrowing

6 Knowledge and Skills

6.1 The Capital and Treasury Finance Team has responsibility for preparing and on-going management of the capital and treasury management strategies and capital programme. The team is staffed by professionally qualified accountants with extensive Local Government finance experience. Team members attend all relevant training courses, workshops and events to ensure that their knowledge and skills are up to date and the Council is in a position to address all new technical developments. They all follow a Continuous Professional Development Plan (CPD) as part their individual accounting accreditation. The overall responsibility for capital and treasury activities lies with the Council's Section 151 officer who, in accordance with statute, is professionally qualified and is suitably experienced to hold the post.

6.2 The Council provides training to Members on an annual basis, which is delivered by Council officers and external advisors. This ensures Members have a full understanding of key issues and have the appropriate knowledge and skills to make capital and treasury decisions. Members are updated on developments and any issues of significance throughout the year with information presented to the Audit Committee (responsible for Treasury Management), CIPB (responsible for the Capital Programme) and at Cabinet Member briefings.

6.3 The Council uses Link Asset Services, Treasury Solutions as its external Treasury Management advisors. The Council recognises that it is essential to engage with external providers of Treasury Management services in order to acquire access to specialist skills and resources.

6.4 When looking at commercial activity transactions either expenditure included in the capital programme or treasury management investments, officers from relevant professional disciplines from across the Council are involved in conducting due diligence exercises. Alongside the internal teams the Council also uses external advisors to complete the due diligence process. As previously mentioned the Council has not yet undertaken and significant investment in property assets or entered into any commercial investment transactions, solely for the aim of income generation.

6.5 As approved in the Council's CPIS all purchase of Investment Property will be considered by the Property Appraisal Group comprised of both Members and Officers. In order to act within the timescales required when undertaking commercial negotiations, the group has delegated powers to approve any acquisitions and instruct and appoint appropriate advisors and to close deals. However, there is a clear framework within which the group operates having regard to legislation, the Council's Constitution, policies and procedures and professional body regulations.

7 Treasury Management

7.1 The Council produces a Treasury Management Strategy which is approved by full Council annually as part of the Budget Setting process.

7.2 The Capital Strategy and Treasury Management strategy are closely linked as the capital programme determines the borrowing need of the Council, essentially the long term cash flow planning and ensures that the Council can meet its capital spending obligations. The capital strategy is integral to treasury management activities throughout the year in the management of long term cash that may involve arranging long or short term loans or investing longer term cash flow surpluses. A treasury action is to look for opportunities to restructure any existing borrowing in support of the Councils budget process.

7.3 At the end of the five year Capital Strategy period the Council's forecast debt will be £452.528m. Included within the Council's CFR under long term liabilities are items such as Private Finance Initiative (PFI) and leasing arrangements. The Council currently has £246.143m of such liabilities in for 2019/20 which will reduce to £204.350m by the end of the capital strategy period. The Council's Operational Boundary for 2019/20 is forecast to be £525.000m. The Council's Authorised Borrowing limit will be £545.000m for 2019/20.

7.4 The Council is required to set aside 'prudent' provision for debt repayment where borrowing or credit arrangements have been used to finance capital expenditure. This is known as Minimum Revenue Provision (MRP). Over the Capital strategy period the Council has a MRP provision of £66.428m.

7.5 The Audit Committee is responsible for scrutiny and governance of Treasury Management within the Council. It reviews the Treasury Management policy and procedures and all Treasury Management reports. However the Overview and Scrutiny Performance and Value for Money Select Committee scrutinises the Treasury Management Strategy alongside the full suite of budget prior to their presentation to Cabinet and Council for final approval. As both the Treasury and Capital Strategies are reviewed together, it allows for a joined up scrutiny process.

7.6 Throughout the year the Audit Committee receives regular updates on performance and emerging issues and the Mid-Year Review report which is also reported to full Council. It is also important to note that the Treasury Management function is subject to regular Internal and External Audit reviews.

7.7 Further detail can be found in the Treasury Management Strategy 2019/20.

8 Long Term Loans

8.1 The Council has the ability, should it choose to exercise its powers, to enter into loan arrangements to support delivery of strategic corporate priorities.

8.2 The Council has chosen to make limited use of its ability to enter into loan arrangements, but in such instances, all loans have been and will be approved in line with the Councils Constitution under the Financial Procedure Rules which ensures that they are prudent and secured by:

- A full independent due diligence process
- Ensuring adequate security for the loan is in place
- Continuous monitoring of the loans and undertaking review meetings
- Ensuring the financial exposure of the Council's is proportionate to its size.

8.3 The Council may choose to provide assistance to organisations where they have experienced difficulty in securing funds from other sources at affordable interest rates. In order to deliver corporate priorities, loans to third parties may be offered at an interest rate below the market rate. Where the loan is advanced at less than a market interest rate there is an associated loss of investment return which would otherwise have been earned on these funds. The cost to the Council in this respect would be reflected in the Council's accounts. Any loans to third parties are recognised as investments and detailed within the Annual Investment Report in the Treasury Management Strategy.

9 Commercial Activity

9.1 As previously mentioned the CPIS gives the Council approval to invest in property solely to generate additional income to support the Council's mainstream service delivery. The Council will continue to look for appropriate property investments and, where if required, continue to complete substantial due diligence on all possible investments.

9.2 The Council also has investments in the Charities, Churches and Local Authorities (CCLA) property fund. As advised within the Treasury Management Strategy due to the anticipated fluctuations in price this is an investment with a minimum time horizon of 5 years. The Council currently holds £15m in the property fund and the investment generates a return of approximately 4.5% per annum.

9.3 Following the Brexit decision, in the initial months property funds saw a small decline in the value due mainly to valuer caution rather than any significant increase in pressure to sell properties. In contrast, occupier trends continued to strengthen and the dividends remained constant at approximately 4.5%. This initial decline in value has started to unwind and prices are now at the same levels prior to Brexit.

9.4 Any CCLA or such commercial investments that the Council investigates will only be undertaken after an appropriate due diligence exercise and having regard to the Treasury Management principles of security, liquidity, yield and ethical investments.

9.5 In order to support investment and commercial decisions the Council also relies upon the principles established in the Income Strategy approved at Cabinet September 2017. This sets out the framework for and the objective of the maximisation of new and existing income streams to support service provision.

10 Capital Resources to Support Capital Expenditure

10.1 The Utilisation of Capital Resources

10.1.1 The Council's strategy for deploying resources is to ensure that all resources are utilised to achieve Council objectives. With the Government placing a greater emphasis on regional initiatives, the Council's Capital Strategy and capital planning arrangements need to be consistent with, and linked to, the Greater Manchester Strategy but also enhance the Council's own co-operative ethos and other corporate initiatives such as Get Oldham Working, with some devolving of resources and decision-making to Districts and Neighbourhoods. As such, the aspirations of District Partnerships need to be considered and they will be consulted, as appropriate, over possible bids for any available funding. The District Investment Fund included in the capital programme is currently £1.300m in the financial years 2019/20 to 2023/24 with the major spend expected in the later years of the programme.

10.1.2 As most capital financing can be used for projects at the Council's discretion, the Council is able to address its own priorities and shape the capital programme to a locally, rather than a nationally, driven agenda.

10.2 Creation of a Central Pool of Capital Resources

10.2.1 The Council will ensure that it takes full advantage of the freedom and flexibility arising from the removal of ringfencing of most resources to facilitate the achievement of Council objectives. All un-ringfenced capital funding and other non-specific Council capital resources, that are not required to finance existing commitments, will be pooled into one central fund. This corporate resource will then be managed so that only schemes which can demonstrate the attainment of Council capital priorities will be allocated funds. The Capital Investment Programme Board (CIPB) will review all bids for resources, evaluate them and then make recommendations to:

a) Cabinet/Council on the prioritisation of resources for the initial 2019/20 to 2023/24 capital programme

b) The appropriate decision-maker for any subsequent revisions to the capital programme

10.2.2 The Cabinet/Council will make the final decision on the overarching capital programme for 2019/20 to 2023/24 and will subsequently delegate (subject to the provisions in the Council's Constitution) the updating of the programme and revisions to projects following review and recommendations by the CIPB.

10.2.3 The CIPB will review the usage of any ringfenced resources to ensure alignment with other spending plans and the maximisation of benefits to the Council.

10.2.4 In determining the size of the central fund, the CIPB will have regard to the following:

a) The statutory fourth Greater Manchester Local Transport Plan (GMLTP4) is a long-term transport strategy for Greater Manchester to 2040 with a five year delivery plan.

b) The current pressure on primary and secondary places in certain areas of Oldham and the lack of capacity in the current stock.

c) The Disabled Facilities Grant (DFG) is to meet the Council's obligation to finance adaptations to the homes of disabled residents and its commitments to wider social care. The Council receives the DFG funding via the Better Care Fund (BCF).

d) Any resources allocated by Central Government after approval of the Council's 2019/20 – 2023/24 Capital Strategy/Capital Programme.

The Council will therefore passport all of the un-ringfenced resources for transport, schools, via the Education Basic Need grant and Disabled Facilities Grant to support spending in the respective areas.

10.2.5 Grant funding allocations notified to the Council also include information about capital maintenance funding for Voluntary Aided (VA) schools. This grant is paid directly to the Church of England and Roman Catholic Diocesan authorities and is not therefore included within the Council's capital programme. Expenditure undertaken by the Council on VA schools is planned with regard to the availability of contributions from these grant and diocesan resources.

10.3 Methods of funding capital expenditure

10.3.1 There are a range of methods of funding capital expenditure as follows.

a) Government Grants and Non-Government Contributions

10.3.2 Capital resources from Central Government can be split into two categories:

i) Un-ringfenced – resources which are delivered through grant that can be utilised on any project (albeit that there may be an expectation of use for a specific purpose). This now encompasses the vast majority of Government funding

ii) Ring-fenced – resources which are ringfenced to particular areas and therefore have restricted uses.

10.3.3 Where there is a requirement to make an application to an external agency for external funding and, when appropriate, to commit Council resources as matched funding to any bid for external resources, a business case (following the three stage process described at Section 11) must be presented to the CIPB for approval. This must justify the bid for external resources and any Council matched funding prior to submission of the bid.

b) Prudential Borrowing

10.3.4 The Council will investigate opportunities to resource capital projects using prudential borrowing where plans are sustainable, affordable and prudent. Full appraisal will take place to ensure that, where appropriate, sufficient revenue returns are generated to cover the cost of borrowing and this will be especially important when undertaking property acquisition under the Commercial Property Investment Strategy (CPIS) where, in addition, a revenue income stream is required to support the revenue budget.

10.3.5 Where it is considered that Prudential Borrowing is the appropriate method of funding, but it requires additional revenue financing, the cost will be reflected in the revenue budget planning process.

10.3.6 Since 2012 the Council has been able to take advantage of the Public Works Loans Board (PWLB) certainty rate, whereby there is a 20 basis points discount on standard loans from the PWLB under the prudential borrowing regime for Authorities that provide improved information on their long term borrowing and associated capital spending plans. The obvious benefit to the Council of the certainty rate is reflected in reduced Treasury Management borrowing costs in relation to any PWLB borrowing undertaken.

It has been confirmed that the Council has qualified for the certainty rate for the period 1 November 2018 to 31 October 2019.

10.3.7 In the Autumn Budget 2017 the Government confirmed that it will lend Local Authorities in England up to £1 billion at a new discounted interest rate of gilts + 60 basis points to help incentivise local authorities to construct infrastructure that otherwise would not be considered to be affordable. There has already been one bidding round with a provisional allocation of £500m. The second bidding round commenced on 1 January 2019 and will run to 31 March 2019. There may be an opportunity for the Council to bid in this round. There is a maximum of £100 million of Local Infrastructure Rate borrowing per any one applicant.

c) Capital Receipts

10.3.8 Section 9 (1) of the Local Government Act 2003 defines a capital receipt as ‘’a sum received by the authority in respect of the disposal by it of an interest in a capital asset’’.

10.3.9 Section 9 (2) of the Act defines a capital asset as ‘’an asset is a capital asset if, at the time of the disposal, expenditure on the acquisition of the asset would be capital expenditure’’.

10.3.10 Capital receipts are usually restricted to use for:

i) Financing new capital investment.
ii) Reducing borrowing under the Prudential Framework.
iii) Paying a premium charged in relation to any amounts borrowed.
iv) Meeting any liability in respect of credit arrangements.
v) Meeting disposal costs (not exceeding 4% of the receipt).

10.3.11 In general, capital receipts arising from the disposal of housing assets and for which account is made in the Housing Revenue Account (HRA), are governed by the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003. In summary the regulations require that receipts arising from:

i) Right to Buy (and similar) sales may be retained to cover the cost of transacting the sales and to cover the debt on the properties sold, but a proportion of the remainder must be surrendered to Central Government;

ii) All other disposals may be retained in full provided they are spent on affordable housing, regeneration or the paying of housing debt.

Such receipts have reduced substantially since the transfer of the housing stock to First Choice Homes Oldham (FCHO).

Value Added Tax (VAT) Shelter

10.3.12 As part of the Housing Stock transfer that took place in February 2011 a Value Added Tax (VAT) shelter agreement was entered into with FCHO. This allows FCHO to obtain the same VAT exemption on its capital works as the Council. The shelter only applies for first-time improvements and is expected to run to 2024/25. FCHO retained all the benefits in the first four years and the savings thereafter are split 50:50 with the Council, although the first £6.000m may be top-sliced to deal with outstanding FCHO asbestos liabilities.

10.3.13 FCHO has provided indicative notification of the release of resources from the VAT shelter for 2019/20 and this is being used to support the capital receipt requirement underpinning the capital programme.

Ringfencing of Capital Receipts

10.3.14 Where the sale of an asset leads to the requirement to repay grant, the capital receipt will be utilised for this purpose. Once this liability has been established and provided for, capital receipts will be available to support the capital programme as a corporate resource.

The only areas where the Council ringfences capital receipts is in respect of:

i) The Equity Home Loan Initiative

ii) Saddleworth School as part of the Priority Schools Build Programme

iii) Recycling of capital receipts to support the sustainability of the Commercial Property Investment Strategy and Fund.

iv) The Flexible Use of Capital Receipts Strategy – in 2019/20 the first £3m of unfettered receipts will be used to support the revenue budget via the financing of transformational projects.

Flexible Use of Capital Receipts

10.3.15 As part of the Local Government Finance Settlement (LGFS) in March 2016, the Secretary of State for Housing, Communities and Local Government provided Local Authorities with the opportunity to use capital receipts to fund the revenue costs of transformation. This flexibility was then extended to 2021/22 as part of the 2018/19 LGFS. The Council intends to use up to £3m of capital receipts to fund elements of Oldham's transformational agenda in line with the Directive guidance and therefore in 2019/20 the first £3m of unfettered receipts will be used to support the revenue budget via the financing of transformational projects.

10.3.16 The flexible use of capital receipts is designed to offset the revenue cost of transformational projects which are expected to deliver future ongoing revenue savings for either the Council or other public sector delivery partners.

10.3.17 In order to take advantage of the change of use to capital receipts, the Council must act in accordance with the statutory guidance issued by the Secretary of State. This guidance requires the Council to prepare, publish and maintain a Flexible Use of Capital Receipts Strategy. The Council's Flexible Use of Capital Receipts Strategy is included in Annex D.

Availability of Capital Receipts

10.3.18 In considering the 2019/20 capital programme, and given the position with regard to capital receipts, a prudent approach has been taken and with capital receipts assumed in accordance with an anticipated timeline for asset disposal. However as advised above, the Council anticipates using up to £3m under the Flexible Use of Receipts of Capital Receipts Strategy in 2019/20 to support transformational projects.

10.3.19 The level of receipts upon which the programme relies to fund existing and new commitments has in the past been affected by the property market which has impacted on the:

i) Ability of the Council to sell assets within the timescale anticipated.

ii) Level of receipt actually generated, which has sometimes been less than originally expected. However, recent years has seen some improvement with receipts matching or exceeding expectation.

10.3.20 The Council's objective to rationalise the corporate estate, the marketing of increasing numbers of surplus assets has the potential to affect both (i) and (ii) above. This is being carefully managed to ensure that the Council receives the best sales price possible. The Council has specific staffing resources to manage the phased disposal of former schools sites, residual Housing Market Renewal sites and other strategic regeneration sites.

10.3.21 The availability of sites for sale could potentially be reduced if there is earmarking of key plots for inclusion in any future Joint Venture opportunity for or any regeneration project throughout the Borough. Again, this position will be carefully managed in the context of the overall financial position of the Council.

10.3.22 Monitoring of capital receipts is undertaken through an officer sub-group that reports to the CIPB and the Corporate Property Board (CPB); follow-up actions are initiated to address any comments raised. The capital monitoring report presented to Cabinet at months 3, 6, 8 and 9 also advises Members of receipts compared to target.

d) Revenue Contributions

10.3.23 A service or school may wish to offer some of its revenue budget or reserves to support the financing of a capital project. This is acceptable if it can be demonstrated that this funding is unfettered.

e) Use of Leasing

10.3.24 Some of the assets used by the Council are financed by a lease arrangement, for example vehicles. With the advent of Prudential Borrowing leasing has become less attractive. Indeed, the replacement fleet management policy demonstrates this development. There may however be instances where leasing could offer value for money and it will remain a consideration when options are being appraised.

f) Section 106 Agreements

10.3.25 In considering an application for planning permission, the Council may seek to secure benefits to an area or restrict uses or activities related to a proposed development through the negotiation of a 'planning obligation' with the developer. Such obligations, authorised by Section 106 of the Town and Country Planning Act 1990, generally either improve the quality of the development, or overcome difficulties which would otherwise result in planning permission being refused. A planning obligation must be:

i) Necessary to make the development acceptable in planning terms;

ii) Directly related to the development; and

iii) Fairly and reasonably related in scale and kind to the development.

As such, therefore, the Council may in some instances receive funds to enable it to undertake works arising from these planning obligations. Examples of the use of planning obligations are the:

i) Provision of affordable housing.

ii) Improvement to community facilities - Public open space/play areas, educational facilities.

iii) Improved transport facilities - contributions have previously been used towards Oldham bus station, park and ride and provision of cycle lanes.

iv) Public art.

v) Renewable energy measures.

vi) Specific measures to mitigate impact on a local area - parking restrictions, landscaping or noise insulation.

The use of any Capital Section 106 funding will be presented to the CIPB for review.

g) Community Infrastructure Levy

10.3.26 The Community Infrastructure Levy (CIL) is a planning charge based on legislation that came into force on 6 April 2010. When adopted, a CIL levy allows the Council to raise contributions from new developments to help pay for infrastructure that is needed to support planned growth. CIL contributions can be used to supplement other funding streams and can wholly or partly fund a variety of strategic infrastructure projects ranging from transport, green infrastructure, flood defences, education and health, subject to pooling restrictions.

10.3.27 The Council commissioned a Viability Study that informed a Preliminary Draft Charging Schedule (PDCS) that set out proposed CIL charges per square metre on new floor space for different types and locations of development in Oldham.

10.3.28 The PDCS and the Economic Viability Study were issued for public consultation in February 2015. Following this consultation, and as a result of internal discussion, the Council commissioned consultants to prepare an Addendum Report to review consultation responses, review the evidence feeding into the Viability Study and update the proposed CIL Charging Schedule based on the renewed evidence.

10.3.29 The CIL Addendum Report was completed in September 2015 and the Council considered the impact of the proposed CIL charges on key future development in the borough. However, no firm decision was reached on whether to adopt CIL and its implementation was overtaken by the need to progress the Greater Manchester Spatial Framework (GMSF) and Council's Local Plan. There are no plans to progress the CIL at this time but this position will be reviewed as work progresses on the GMSF and Local Plan throughout 2019.

h) Private Finance Initiative (PFI)

10.3.30 This is a means by which the Council can facilitate major new infrastructure projects. Typically the schemes involve partnerships between the public and private sector to fund public sector infrastructure projects with private capital. Oldham has considerable experience of PFI with two schools projects, two housing projects, the Library and Lifelong Learning Centre and the street lighting initiative.

10.3.31 As part of the Autumn Budget 2018 the Government announced that there will no longer be the use of PFI for major investments and a new centre of excellence will be established to manage existing deals "in the taxpayer's interest". The Government emphasised its commitment to maintaining current commitments on PFI contracts. As a result no new PFI projects or similar initiatives are anticipated within the strategy period.

Any such proposals would be presented to the CIPB for evaluation before presentation for Members' approval.

i) Local Capital Finance Company (formerly UK Municipal Bonds Agency Plc)

10.3.32 The Local Government Association (LGA) has now set up the Local Capital Finance Company (formerly known as the UK Municipal Bonds Agency) the aim of which is to seek to provide Councils with a cheaper source of long term borrowing and to introduce sector owned diversity into the Local Government lending market. The Council has invested a total sum of £0.100m in the equity of the Company. The Council will keep under review the availability and cost of funds from the Company as an alternative source of finance with a view to borrowing at an appropriate time if terms are preferential.

11. Capital Investment and Disposal Appraisal

11.1 Capital Investment

11.1.1 All capital investment will be commissioned on the recommendation of the Capital Investment Programme Board (CIPB) which will enable any expenditure and it's funding to be better aligned with corporate priorities, partners and funding sources. Partners, from both the public and private sector will be at regional and local levels as well as at a district level.

11.1.2 Within the Council, a concept for a potential capital project should originate from, or at least be 'owned' by Senior Management Teams (SMTs) or Directorate Management Teams (DMTs). The SMT or DMT that 'owns' the concept should prepare, or direct the preparation of a Strategic Business Case (SBC) for the proposed project. The Strategic Business Case should be submitted to CIPB for consideration, with the exception of Strategic Regeneration projects where the Project Management Board (PMB) first reviews the SBC.

11.1.3 If the CIPB (or the PMB in the case of Strategic Regeneration Projects) is satisfied that the proposal meets investment criteria, it will be given approval to progress to Stage 2 of the process – the completion of an Outline Business Case (OBC). The OBC builds on the SBC providing more detailed information including the benefits that could be realised and may include a number of options to deliver the proposed benefits. The OBC will be submitted to the CIPB for consideration, and if it is satisfied with the proposal will give guidance for the development of a preferred option.

11.1.4 Stage 3 of the process entails the completion of a Final Business Case (FBC) which will then be submitted to the CIPB for final consideration. Again, building on the OBC, the FBC will contain evidence of a:

a. Detailed financial analysis of all costs/income including how the project is financially sustainable and that any adverse revenue implications can be dealt with within existing budgets.
b. Robust delivery plan including how the chosen option delivers the highest impact in achieving the required outcomes with identified key project milestones enabling progress review.
c. Risk assessment and that appropriate actions to negate these risks have been identified.
d. Full exit strategy where the project involves a disposal.
e. Method of procurement that represents value for money.

11.1.5 By adopting the process outlined above, CIPB exercises control over capital projects through the recommendation of approval of:

a. Strategic Business Cases (SBC) outlining the initial idea or ‘concept’ for a project.

b. Outline Business Cases (OBC) which will focus on links to the Corporate Plan and outcomes.

c. Full Business Cases (FBC) – the final investment decision. This will focus on the how the priorities set out in the OBC will be delivered, including:

i) Project description
ii) Consultation
iii) Expenditure and funding including whole life costs and revenue implications
iv) Outputs
v) Option Appraisal
vi) Value for Money
vii) Delivery
viii) Risk Management
ix) Sustainability, Forward strategy and evaluation
x) Asset Management
xi) Procurement
xii) Equality Impact Assessment
xiii) Environmental Impact Assessment
xiv) Contribution to the achievement of corporate initiatives including Get Oldham Working

11.1.6 Depending on the circumstances of the bid for resources, the CIPB has the discretion to vary the three stage review process and omit one or more of the stages.

<u>Gateway Review System</u>

11.1.7 The Council has adopted a gateway review system for all projects within the capital programme to promote the following principles:

a. Carrying out structured reviews at decision checkpoints, defined by boundaries between management stages, to test the project’s management and its readiness to progress to the next stage.
b. Promoting project assurance through the application of a structured project management system.
c. Informing the governance process.

11.1.8 The Gateway Review structure is designed to be efficient by only requiring detail when it is needed to get to the next stage. It also tries to minimise additional work for team members by using templates that build on each other, reducing the need for reworking.

11.1.9 Gateway Reviews are undertaken by the Strategic Regeneration Project Management Office which has been specifically set up to ensure there is a robust review process in place to support the delivery of capital schemes and therefore to support the work of the CIPB.

11.1.10 There are four Gateway Reviews which are initiated at key milestones in the delivery of a programme, Gateways 1 to 3 are undertaken in the approval process for the Strategic, Outline and Final business cases respectively, Gateway 4 is undertaken in support of the delivery and handover phase. It is important to note that the Gateway report is used to advise and inform those responsible for making the investment decision, the decision will <u>not</u> be made by the Gateway Review team.

11.2 Service Challenge & Review, Efficient Use of Assets

11.2.1 In light of unprecedented financial challenges in recent years, the Council embarked on an ambitious programme of transformation utilising the corporate estate as a key driver for change.

11.2.2 A strategic review of the Council's operational land and property portfolio was approached within a tri-track framework;

a. The core office estate
b. The operational asset base used for district based service delivery
c. Land

11.2.3 The Smarter Workplaces programme radically reviewed the Council's wider 'office portfolio', and realised significant efficiency savings by vacating a number of properties, and consolidating provision of back office functions within three key buildings. Significant capital receipts were also realised by asset disposal.

11.2.4 Opportunities have recently been identified to further streamline the Council's core office accommodation, working collaboratively with other public sector partners, to exploit collective town centre property ownerships to maximise benefits from regeneration, inward investment and improve efficiency in operating costs. Options are currently being explored and external funding being sought via the Government's One Public Estate (OPE) Programme to support feasibility work. This links into the work undertaken by the Strategic Estates Group (SEG).

11.2.5 With regard to the review of operational district assets, the Property Team and services continue to work closely alongside wider public and third sector partners to ensure that portfolios are best fit for purpose and efficient usage is maximised. Work with NHS partners is being accelerated to support the integrated working agenda.

11.2.6 Disposal of land and property assets is being progressed with alignment to corporate objectives and incorporated into the asset rationalisation programme.

11.2.7 The planned review of the Council's existing investment portfolio will be accelerated as part of proposals to further streamline the Council's Asset Estate, in line with required capital receipts targets and proposed revenue savings.

11.2.8 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, providing a strategic governance framework within which land and property transactions are undertaken and the corporate portfolio is managed in a consistent, transparent and appropriate manner. The Protocols are regularly updated to reflect Statutory, Administrative and Organisational changes.

11.2.9 The 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.

12 How the Capital Requirements Will Be Prioritised

12.1 Once a bid for capital expenditure has passed through the Gateway process and 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 the following criteria (it should be noted that these are not mutually exclusive or in ranking order):

12.2 The criteria examine whether the proposal is:

a. Related to mandatory, contractual or legislative service delivery requirements.
b. Required to achieve the delivery of a specific revenue budget saving within the revenue budget setting process.
c. Required to support Service Plan priorities.
d. Enhancing the Co-operative Council agenda and demonstrating the enhancement of Social Value.
e. Supporting the Get Oldham Working priority initiative and demonstrating how it delivers the aim of local jobs for local people.
f. Supporting integrated working with NHS partners or in support of other GM devolution objectives
g. Linked into other regional objectives.
h. Enhancing the asset management/estate management agenda.
i. Providing general revenue saving or offering the delivery of a more efficient service.
j. Fully-funded from external resources.
k. Bringing in substantial external resources for which Council matched funding is required.
l. Likely to have the highest impact on achieving improved performance against the Council's key objectives.
m. Making a contribution to carbon reduction targets and renewable energy initiatives.
n. Supporting regeneration and economic growth, particularly in the town centre and district centres.
o. Supporting the implementation of the CPIS

12.3 The results of this process will be presented to Members each year as part of the capital budget setting process, or during the year if projects come forward outside the normal timeframe.

13 How the Council Will Procure its Capital Projects

13.1 The structure of the Council's procurement and strategic relationship management function includes designated Commercial Procurement Managers whose focus is to support all capital projects.

13.2 Integration of revenue and capital financial planning provides opportunities for greater efficiency by selection of the most effective procurement processes to ensure the best commercial solution.

13.3 The Council is keen to ensure that Social Value, particularly contributions to the Get Oldham Working initiative, is demonstrated during the procurement process, linked to the principles of the co-operative agenda. Therefore this is of key importance in the procurement of all capital schemes. The social value deliverables are actively monitored by the procurement team throughout the life of the contract.

13.4 Efficiency gains via procurement will be achieved by:

a. Efficient procurement processes which are constantly being enhanced with opportunities being developed to ensure the best commercial solution is selected and delivered.
b. Expanding the range of providers included within the Council's early payment discount scheme.
c. Strategic contract management of the wider supply chain to ensure continuous savings through the life of the project.
d. Procuring fixed price contracts with risk/reward terms to incentivise further efficiencies.
e. Joining in AGMA wide procurement initiatives which will provide savings through economies of scale.
f. Public Private Partnership (PPP) agreements and other innovative financing arrangements where practicable.
g. Leasing/borrowing strategies which will consider the most effective means of acquiring assets.

14 How the Council Will Measure the Performance of the Capital Programme

14.1 The capital commissioning approach that has been adopted by the Council is supported by a strong programme management process in order to ensure a coordinated corporate approach to the strategic alignment of investments. The process has been modelled on PRINCE 2 project management methodology and the Office of Government Commerce (OGC) Gateway Review System, incorporating risk assessment, risk management, option appraisal, cost v benefit analysis, etc. This ensures that investments are planned, managed and delivered prudently.

14.2 The Capital Investment Programme Board (CIPB) has a remit to review the financial performance of the capital programme and it receives a monthly monitoring report. In addition financial monitoring reports will be considered by Cabinet at months 3, 6, 8 and 9, together with a capital outturn report. Issues that have been considered and agreed at the CIPB can be reported to Cabinet as necessary via the regular financial monitoring reports.

14.3 The undertaking of the detailed annual review of the capital programme provides the opportunity to review all schemes or focus on specific areas of concern.

14.4 Where a potential cost overrun has been identified, the CIPB will explore possible solutions in detail. It will also consider any under spending or identified surplus resources which can be added to the central pool of resources. The CIPB may also suggest a reallocation of resources to other projects.

14.5 Where there is a delay in the commitment of programme/project resources, the CIPB will require project managers to report the reasons for the delay and consider whether it would be appropriate to recommend the decommissioning of the project and the reallocation of un-ringfenced resources to other projects.

14.6 The performance of the capital programme is also measured by the prudential indicators which are reported to Cabinet/Council as part of the Treasury Management Strategy, the Treasury Management half-yearly review, and the annual review.

15 The Capital Investment Programme Board

15.1 The Capital Investment Programme Board (CIPB) is an Advisory Board and is chaired by the Deputy Leader and Cabinet Member for Finance and Corporate Resources. The lead Chief Officer for CIPB is the Deputy Chief Executive People and Place. The Leader of the Council has a standing invitation to all meetings. The Board is supported by the Director of Finance, the Director of Economy, the Director of Education and Early Years and the External Funding Manager. The Board has Terms of Reference and detailed reporting performance processes which are included at Annex B.

15.2 All Directorates are represented at Director level by invitation to attend CIPB as and when projects for which they are responsible are being considered. The Chair may also invite the relevant Cabinet Member to attend when a project within their portfolio is being discussed.

Priority Areas for Investment

The priority investment areas identified for the 2019/20 to 2023/24 period covered by this Capital Strategy document are set out below, along with information about longer term projects which are emerging through the vision for the borough.

The breakdown of funding by project area is shown across the current programme to 2023/24 at Annex C. The narrative supporting the programme is set out below together with information about projects which the Council plans to take forward in the following 10 years from 2024/25 to 2033/34.

1 Continuation Funding

There are requirements for continued annual funding of existing programmes of work across the current 5 year programme and beyond, these are summarised as follows:

a) Corporate Major Repairs /Disability Discrimination Act (DDA) Adaptations/ Legionella / Health and Safety Projects (Corporate Landlord Function)

Spending in this area aims to enable the Council to secure the integrity of the corporate estate and ensures that the Council is compliant with its statutory obligations under DDA and Health and Safety legislation.

b) School Condition Works

The Council has provided resources to address the most immediate needs (priority 1) for condition works within the school estate. There is however, increasing demand on the school condition works budget to address priority 1 condition issues as well as other preventative works prior to arrival at priority 1 status.

c) ICT Strategy

The strategy has been formulated through a pipeline which addresses delivering a customer focused service; digital by design, harnessing the power of data, strengthening governance and capability and integration of information to be an agile and efficient Council.

d) Social Care

This resource will provide additional support for disabled adaptations, transformational schemes to further health and social care integration, and wider social care initiatives.

e) Environmental Services

To support the purchase of environmental machinery.

f) District Investment Fund

The District Investment Fund (DIF) was created in 2011 and is a now a well-established concept. It is intended to fund larger scale neighbourhood investments that meet local needs and achieve value for money. The capital programme currently includes £1.300m in the financial years 2019/20 to 2023/24 with the major spend expected in year 2021/22.

An annual base budget allocation of £2.449m has been included in the capital programme to fund these continuation projects in 2019/20, which incorporates £1.500m per year to cover Corporate Major Repairs, DDA Adaptations, Legionella, Health and Safety Projects (Corporate Landlord Function) and also school condition works. In 2019/20 this has been supplemented with carried forward resources. Funding for social care is provided at a value of £0.400m per annum in addition to the funding received through the Better Care Fund. Resources of £0.249m have also been allocated to ICT, £0.200m to the District Investment Fund per year together with £0.100m for the purchase of environmental machinery.

2 New Projects

New emerging projects for which funding may be required and for which funds could be allocated are set out in the following paragraphs. Each of these projects would need to be progressed by the submission of detailed and fully costed business cases demonstrating how they achieve corporate priorities. Projects have been categorised based on current information over a delivery timeframe focussed on;

- those that will be initiated and delivered in the 5 years of this strategy period (2019/20 to 2023/24) and
- those which will progress from 2024/25 to 2033/34 (a further 10 year timeline).

It is probable that due to rephasing some projects will move from the first to the second delivery period.

Projects to be Delivered in Years 0-5 (2019/20 to 2023/24)

a) Social Care

Mindful that the Council has extensive responsibilities to deliver an adequate standard of social care, and the increasing level of joint working with National Health Service partners, the Council will continue to consider the utilisation of available Government resources and any local funding to address identified needs or opportunities to facilitate enhanced service provision and support income generation. An allocation of £0.400m is available for such investment.

b) Better Care Fund (Disabled Facilities Grants)

The demand for major property adaptations to premises continues to rise, particularly because of the increase in numbers of elderly clients, also of very disabled children where medical advances have seen improvements in life expectancy and the increased requests to adaptations to FCHO properties.

For 2018/19, the Better Care Fund (BCF) capital allocation in the form of Disabled Facilities Grant (DFG) was £1.914m, the grant was un-ringfenced but, given the Council's obligation to undertake adaptations, the strategy of the Council is to passport the full grant allocation for the intended purpose; to support housing adaptations. Where 2018/19 resources have not been utilised, they will be carried forward into 2019/20 (estimated at £1.250m). At present, there is no notification of funding allocations for 2019/20. There is however an anticipation that it will be of a similar amount and any funding received will be allocated using the same principles as were applied in 2018/19.

c) Upgrade to Crematorium Facilities

Significant investment will be required to the plant and equipment at the crematorium to ensure continuity of service and efficient use of the facilities. This is funded initially from the income receipts from services users but as a capital scheme, it is then incorporated into the capital programme. Depending on when the investment will be required this may fall in to the 6-15 year timeframe.

d) Low Carbon and Energy Efficiency Initiatives

The Council wishes to invest to support its pursuit of the green agenda and address carbon reduction requirements. The Council has a requirement to ensure that it is seeking to maximise energy efficiency. Most energy efficiency and renewable energy projects the Council would like to undertake can be delivered through a number of efficient Official Journal of the European Union (OJEU) compliant framework agreements and pay back their investment over varying periods of time from a combination of Government subsidies and the actual energy savings themselves, making prudential borrowing a viable option for such schemes. The Council will also consider options to work jointly with other Local Authorities on out of borough projects that will benefit Oldham and enhance the Council's contribution to energy efficiency.

e) School Investment / Pupil Place Pressures

There continues to be pressure on primary and secondary places within areas of Oldham, with little capacity at a number of schools as the school population continues to increase. School capacity and the standard of the facilities within schools remains a priority and the Council will consider additional investment in its own right or to complement any Government resources that may become available.

There are a number of school extensions in progress such as Crompton House, Greenfield Primary and Oasis. There are also opportunities to utilise funding from the Department of Education (DfE) for new schools with an academy partner. Schemes of this nature require the Council to release land for the school to be built upon. In such instances the Council will dispose of land without recompense via a land swap or other such appropriate land transaction. The Council may also deem it appropriate to allocate its own resources to support schemes as it sees fit.

On 17 December 2018, the Secretary of State for Education announced funding of £100m nationally to top up the Special Provision Capital Fund in 2019/20. This is for investment in new places and improved facilities in Special Educational Needs units, resourced provision in mainstream schools, special schools or other facilities used for pupils and students with Education Health and Care plans. The Councils funding allocation has yet to be announced but it will be utilised to the maximum benefit to support high needs educational provision. Schools specific investment in 2019/20 is anticipated at £23.825m.

f) Surplus Sites

The Council has an extended portfolio of surplus sites scheduled for disposal, for which up front capital funding may be required for enabling and other works to ensure that the land is suitable for commercial redevelopment. The Capital Strategy 2019/24 includes an allocation of £0.500m to support this enabling work. The capital programme is reliant on the income generated from these sales in the form of capital receipts.

g) Working with NHS Partners

Work continues on the integration agenda with NHS partners and other related stakeholders. The focus is predominantly based around co-located, integrated team working within five identified neighbourhood clusters and centrally. Capital investment opportunities will increasingly be considered and evaluated to optimise benefits and outcomes for the economy as a whole rather than being specific to one organisation.

h) Association of Greater Manchester Authorities (AGMA) GM Investment Fund Loans

In line with the approved AGMA scheme initiated and underwritten by the Greater Manchester Combined Authority (GMCA), the Council may manage loans to qualifying businesses to support the growth ambitions as set out in the GM strategy.

i) Town Centre Regeneration

The Council is continuing to make a considerable investment in the town centre with plans which span over a number of years. The long term vision for the town centre is still being developed and is likely to include the strategic acquisition of properties. However, plans for the Oldham Museum of Arts / Archives (OMA) have been approved and progressed and the scheme has received significant external grant support. The Market Hall will see a transformation within the 2019/24 capital programme in support of the vision for the Town Centre and the changing retail market within the UK. The development / refurbishment of other Town Centre heritage assets and the regeneration of the Cultural Quarter will complement the investment in both these projects as well as the flagship Old Town Hall. The Council is also still committed to have a theatre / performance space within the Town Centre and plans will be developed over the life of the capital strategy period.

j) Borough-Wide Regeneration

The Council is investing in borough-wide regeneration initially through initiatives through housing and employment sites at Broadway Green and Hollinwood and further development phases of both sites are expected to come online over the next five years. The Council will take advantage of suitable investment opportunities throughout Oldham in order to advance its regeneration objective.

Town Centre and Borough-Wide Regeneration is planned at £79.288m over the life of the capital programme.

k) Car Parking

There is a requirement to invest in town centre car parking along with changes to borough wide parking initiatives to ensure residents have adequate parking in the correct zones. As the Town Centre vision progresses parking and the need for pedestrian areas will be designed and developed.

l) Housing Initiatives

Work is currently on-going to deliver on the Council's Housing Strategy in respect of the private sector. Recent initiatives launched by the Council have sought to increase the Council's engagement in the private sector, with a focus on driving up standards in neighbourhoods and increasing housing supply in the private rented sector.

The following schemes are to be financed from the Housing Revenue Account:
Developing our Extra Care offer

A rolling programme of capital works has been identified to make best effect of the transformational change in service delivery. Examples of projects to be taken forward are the development of a re-ablement offer and continuation of the installation and improvement of landscaping, sensory and outside garden spaces at Tandle View Court, Trinity House and Old Mill House.

Retrofit of a fire suppressant systems to Stockfield Mount and Landsdowne Court high rise blocks of flats.

In light of the events of the Grenfell Tower disaster the spotlight has been placed upon any high-rise accommodation and the safety of high rise blocks and the Council tenants who dwell therein. The refurbishment of the blocks did not include any external cladding nor were any additional fire suppression systems fitted yet future proofing to ensure safety is required.

Supported Housing for Adults with Complex Learning Disabilities (SHALD)

The development of new build accommodation for adults with learning difficulties and complex behaviours is in train, supported by grant funding from Homes England and the NHS. The scheme is due for completion in summer 2019.

Town Centre Affordable Housing

A key element of the vision for the Town Centre is the development of new affordable housing. External funding from Homes England has been secured to progress schemes.

Developing temporary accommodation to meet homelessness demands.

There has been a significant spike in the number of homeless households who need help and support. To address this, a range of sustainable options are being considered including the purchasing of a building which could accommodate 18 self-contained flats, and a long term lease on a building which could accommodate 25 units of mixed accommodation (Self-contained and shared). Pursuing these types of long-term arrangements would not only address a definite need but also support the revenue budget by reducing the high levels of reactive costs such as bed & breakfast accommodation charges.

Developing our response pilots in the private rented sector

The Council has launched a pilot empty homes intervention project to work with owners of empty homes to bring their properties back into use through one of the two options available from the Council. A combination of HRA funding and Homes England Grant funding have enabled the development of a Purchase & Repair and Lease & Repair options; designed to financially support landlords in bringing their properties back into use.

It is envisaged that this scheme will be widened post the pilot phase. This accommodation will be used to prevent homelessness by offering suitable, long term accommodation for people. This accommodation will also assist with the 'move-on' options from those households in temporary accommodation by providing a suitable, longer term, settled abode.

m) Greater Manchester Devolution and Related Initiatives

Development under the devolution agenda is an evolving programme of activity at the wider GM level. Working in partnership with the GMCA and other Local Authorities, the Council will seek to support new initiatives.

n) Matched Funding for Grant Bids

The Council is conscious that the Government or the Greater Manchester Combined Authority may introduce a range of grant funding opportunities for which bids must be submitted at short notice, some of which may have a matched funding requirement. The Council's strategy will be to respond as it considers appropriate to bidding arrangements, ensuring that bids are submitted which align with its objectives and that matched funding requirements are considered on a scheme by scheme basis with resource requirements prioritised accordingly.

o) Northern Roots

This new scheme is part of a long term vision to develop Snipe Clough in the east of the borough to an agri-park. This would incorporate a wide range of initiatives and include growing hubs, recreation areas, contribute to social prescribing and boost tourism. The first phase of this development is the refurbishment of the existing depot at Alexandra Park.

p) Royton Town Centre Development

In line with the Co-operative Council ethos, a capital priority is investment in neighbourhoods, in particular the creation of hubs around neighbourhood town halls. An allocation of resource of £3.193m has been included in the capital programme for schemes in Royton, spread across the financial years 2019/20 and 2020/21. The first development in Royton is the refurbishment of the Town Hall and Library. This will make better use of the current buildings and incorporate both Council and commercial activities.

q) Transport Capital Programme

The Council secures capital funding for investment in the highway network from a number of different sources, including Central Government which allocates funding largely through the Greater Manchester Transport Strategy and Local Transport Plan (LTP). The majority of this funding sits in the transport capital programme, except where it forms an integral part of a regeneration project and therefore sits within the Regeneration Capital Programme, such as the Growth Deal 2 grant of £0.800m in 2019/20, which will support delivery of the highway infrastructure for the Albert Street development at Hollinwood.

The Local Transport Plan is a statutory document prepared by Transport for Greater Manchester (TfGM) and Greater Manchester's ten local Councils on behalf of the GMCA and the Greater Manchester Local Enterprise Partnership. The current Local Transport Plan includes a long-term GM 2040 Transport Strategy to improve transport across the city region and a five-year delivery plan based on committed resources which is updated annually. The Council has adopted the principle that all un-ringfenced grants secured through the GM Local Transport Plan be passported for investment in the highway network.

The Council prepares a transport capital programme to cover a three year time-frame for the resources allocated through the LTP, with the current programme covering the period 2018/19 - 2020/21. A list of reserve schemes is also approved which sits alongside the 3-year LTP programme. These are updated annually.

Key elements of the transport capital programme include:

- A £6.000m investment of Devolved Growth Deal funding through the Growth Deal 3 Oldham Town Centre Regeneration and Connectivity scheme with a spend deadline of March 2021;
- An annual programme of minor LTP funded works that includes highway maintenance, bridges and structures, road safety, traffic management and cycling and walking schemes, which is dependent on GMCA distributing the LTP resource in line with the indicative local authority allocations calculated by the Department for Transport; and
- A £12.000m Highway Improvement Programme that the Council is funding with Prudential Borrowing to improve the condition of the network over the period 2019/20 – 2021/22 (in addition to the £6.000m included in the 2018/19 programme).

Additional grant is anticipated from some sources, these include the Department for Transport's Safer Roads Fund award for the A670 Oldham – Tameside (£0.762m for 2019/20) and the GM Mayor's Cycling and Walking Challenge Fund. Securing additional grant funding for investment in the transport network and to support the regeneration of the borough is a Council priority. Potential bidding opportunities that may arise, and may or may not require a financial contribution, include:

- The Department for Transport's Highway Maintenance Challenge Fund;
- The GM Mayor's Cycling and Walking Challenge Fund; and
- Environment Agency (EA) Flood Management Programme (Grant in Aid and Local Levy Fund).

r) Fleet Management

Oldham Council introduced the existing Fleet Replacement Programme in 2012/13 as per the strategy approved at the Cabinet meeting on 6 February 2012. The objective was to gradually replace leased and hired vehicles with purchased vehicles that would have a useful economical life ranging from 3 to 7 years. This objective has now been achieved apart from the short term hire of a small number of vehicles. Since then the Fleet Management Service has carried out this policy whenever a vehicle is due to be replaced.

The financial year 2018/19 is the final year of this seven year programme. A request to extend the programme by five years, covering 2019/20 to 2023/24, will be made to Cabinet in a report running concurrently with this document. The funding programme being sought includes the acquisition of 89 vehicles at a cost of £5.570m. The first tranche of purchases will be the replacement in 2019/20 of 18 refuse collection vehicles at a cost of £3.186m. All spending will require inclusion in the capital programme and will be financed from prudential borrowing, with annual repayments being made from within existing revenue resources.

Projects to be delivered over a further 10 years (2024/25 to 2033/34)

The Council has a longer term vision for capital spending outside the initial 5 year timeframe. The schemes below have an implementation period of between 6 to 15 years covering the period 2024/25 to 2033/34. The majority of schemes are the longer term development of projects already within the initial 0 to 5 year timeline, but each will move through different phases with different objectives and expected outcomes.

a) Town Centre Vision

Sites at Princes Gate are being redesigned to align with the development of the market and to align with the wider vision. The extent of capital funding required by the Council is currently uncertain and will need to be kept under review. As the programme of work evolves, this may require complementary investment for additional strategic acquisitions, car parking, public realm works or other regeneration developments, particularly around improving the retail offer, including the market.

b) Borough-Wide Regeneration

The Council is currently investing in borough-wide regeneration initiatives through housing and employment sites at Broadway Green and Hollinwood, and again, as the position evolves, there may be a requirement for increased investment in new or existing projects including strategic acquisitions.

c) Partnership and Joint Working

The Council will aim to pursue joint partnership working with other public bodies, not for profit organisations and the private sector where it is commercially advantageous to do so and to keep under review existing relationships

d) Northern Roots

As outlined earlier, this scheme is a long term vision to develop Snipe Clough in the east of the borough to an agri-park. It will be delivered in phases over an expected 10 year programme.

e) Housing

The Council is currently updating the Local Housing Strategy (LHS) which will be the major strategic visioning document that will provide a robust housing strategy and identification of priority areas required to meet the overall housing needs of the borough. Once the strategy is finalised new business cases to take forward specific initiatives will be developed over an expected 5 year plus programme.

Capital Investment Programme Board

1 Terms of Reference

1.1 The Capital Investment Programme Board (CIPB)'s terms of reference are:

a) To develop the overall Capital Strategy and annual programme in accordance with the priorities set out in the Council's corporate plan.

b) The recommendation of the overall Capital Strategy and programme to Cabinet and Council.

c) Once the overall Strategy and annual programme of expenditure have been approved at Council:

   i) The consideration and recommendation of approval of the detail of the thematic programmes (e.g. Highways Capital Programme).

   ii) The consideration and recommendation of approval of any amendments to the annual programme.

   iii) The recommendation of approval of any new capital projects.

   iv) The detailed appraisal of projects, taking into consideration the Council's Capital Strategy, priorities and annual aims and objectives.

   v) The review of potential commercial risk and Value for Money issues on any proposal for the use of capital.

   vi) To provide a forum for establishing and providing robust challenge and debate around the capital programme.

   vii) To undertake a detailed annual review of the capital programme.

   viii) The review of the Council's capital programme on an on-going basis and to ensure it is achieving the agreed outcomes and consideration of the financial monitoring report.

   ix) The monitoring of the performance of projects and programmes within the Council's capital programme.

1.2 The Board oversees capital projects from inception to completion to ensure they are delivered efficiently and effectively and in line with the Council's corporate objectives.

1.3 The Board assesses all submissions for capital expenditure prior to them entering into the normal reporting process for approval. The Board therefore makes recommendations to the appropriate decision maker/forum, whether this is a Member under delegated responsibility, Cabinet or Council.

2 Membership

2.1 The Chair of the CIPB is the Deputy Leader and Cabinet Member for Finance and Corporate Resources. The Leader of the Council has a standing open invitation, other Cabinet Members may be invited to attend CIPB at the discretion of the Chair.

The lead Chief Officer for CIPB is the Deputy Chief Executive, People and Places.

Officers in attendance at CIPB are:

a) The Director of Economy
b) The Director of Finance
c) Senior Members of the Finance Team.
d) Director of Education and Early Years
e) External Funding Manager.
f) Representatives from Legal Services, Human Resources, Procurement and Information Technology as required.

2.2 All Directorates will be represented at Director level by invitation to attend CIPB as and when projects for which they are responsible are being considered. The Chair may also invite the relevant Cabinet member to attend when a project within their portfolio is being discussed.

2.3 The CIPB is supported in its work by the Strategic Regeneration Project Management Office which oversees the management and governance of strategic regeneration projects.

3 Reporting and Performance Process

3.1 CIPB will report to Cabinet, Council and the Overview and Scrutiny Performance and Value for Money Select Committee as appropriate.

3.2 CIPB has a remit to review the financial performance of the capital programme and it will receive a monthly monitoring (highlight) report.

3.3 The Board meets on a monthly basis to ensure there is a managed approach to:

a) Discussing and recommending actions in relation to capital issues
b) Developing the Capital Strategy,
c) Developing the capital programme for the year ahead
d) Considering and approving business cases
e) Monitoring performance of individual capital projects and the whole capital programme
f) Reviewing the availability of capital resources and reprioritisation of resources as required

3.4 The CIPB also undertakes an annual review of the capital programme which will examine all schemes in the programme to:

a) Ensure that schemes still meet corporate priorities
b) Review their continued relevance in the context of a dynamic and constantly developing organisation
c) Consider the progress of schemes including any reasons for delayed starts or variations to approved budgetary allocations and rephasing of planned expenditure
d) Identify any unutilised or underutilised resources
e) Consider any reallocation of resources

3.5 It will also initiate periodic reviews of the whole or part of the programme as required in response to specific issues or concerns.

3.6 Issues that have been considered and agreed at the CIPB can be reported to Cabinet as necessary via the regular financial monitoring reports, presented at months 3, 6, 8 and 9.

3.7 Pooled and locally ring-fenced corporate resources will be managed by the CIPB; it will review all bids for resources, evaluate them and then agree on the prioritisation of resources accordingly. A proposal will be prioritised in accordance with criteria set out in Section 12 of the Strategy.

3.8 The CIPB will also review any bids for and use of any ringfenced resources to ensure alignment with other spending plans and the maximisation of benefits to the Council and achievement of Council objectives.

3.9 The CIPB will recommend the use of both un-ringfenced and ringfenced resources and also the general prioritisation of resources so that Council, Cabinet and Cabinet Members exercising delegated authority can make a final well-informed decision on the utilisation of resources, as appropriate.

4 Decision Making

4.1 In relation to the approved capital programme, CIPB will make recommendations regarding the approval of business cases and virements both within and between approved programme areas. In all such cases, the decision maker is the Deputy Leader and Cabinet Member for Finance and Corporate Resources, in consultation with the Deputy Chief Executive, People and Place and the Director of Finance.

5 Decision Recording

5.1 CIPB will make recommendations on receipt of a formal delegated decision report which will be presented to the appropriate Members/Officers for approval. Key decisions must be included in the published key decision document and all decisions taken (see above) will be recorded on Modern.gov

6 Governance

6.1 CIPB is the only group within the Council (below Council level) that can recommend investment in projects within the approved capital programme. Therefore, the key role of CIPB is to consider the following milestones which define key stage boundaries that require investment decisions. A project can only progress to the next stage on the recommendation of CIPB.

a) Strategic business case – initial concept/scope of a project.
b) Outline business case - delivery strategy to design and procurement stage.
c) Full business case - design and procurement stage to delivery and handover stage.

6.2 The Council has agreed that prudential borrowing provision is not necessary for capital expenditure incurred in lieu of capital receipts. Any such schemes will be classified by the CIPB as ‘Borrowing in Lieu of Capital Receipts’. CIPB will also determine which capital receipts will be used to finance the scheme and as the receipts are achieved they will be applied to repay the debt.

7 CIPB Sub-groups

7.1 CIPB may at its discretion convene a sub-group for a specific purpose or purposes. Updates from these meetings are reported to CIPB.

Current sub-groups are:

a) Major Projects and Joint Ventures Programme Board
b) Corporate Property Board
c) Schools Capital Programme Board
d) ICT Programme Board
e) Transport Programme Board
f) Residential Development Board

The core officer membership for each sub-group comprises:

a) The relevant Director for specific Boards as Chair; e.g. the Director of Education & Skills chairs the Schools Capital Programme Board.
b) The Director of Legal Services
c) The Director of Finance

7.2 In additional there is an External Funding Group, chaired by the Director of Finance. The remit of this Group is to:

a) Manage external funding at a strategic level.
b) Identify potential grants and additional sources of funding.
c) Manage the process for applying the funding and approve all bids for funding.
d) Monitor on-going compliance with grant terms and conditions and assess any financial risk including grant claw back.
e) Provide a Regeneration Plan/framework that can enable the Council to proactively react to funding opportunities as they arise.
f) Ensure there are sufficient resources for the Council to be fully embedded within Association of Greater Manchester Authorities (AGMA), particularly important in light of devolution.
g) Ensure there are sufficient personnel to enable the Council to proactively react to funding opportunities as they arise.

Annex C

Capital Programme 2019/20 to 2023/24

Expenditure	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**
Information Technology	6,212	1,583	1,719	1,614	249
Investment / Income Generation Opportunities	8,700	6,910	5,000	-	-
Flexible Use of Capital Receipts	3,000	-	-	-	-
People and Place	**54,403**	**63,081**	**70,544**	**8,897**	**3,615**
Corporate Property	3,381	2,963	1,500	1,500	1,500
Environment	100	900	100	100	100
Neighbourhood Development Fund	97	-	-	-	-
Other Regeneration Priorities	668	4,522	5163	22	-
Private Sector Housing	2,808	2,947	-	-	-
Royton Town Centre Development	1,693	1,500	-	-	-
Schools - General	10,435	3,555	9,868	5000	-
Schools - Primary	161	-	-	-	-
Schools - Secondary	12,229	8,507	2,000	-	-
Schools - Special	1,000	-	-	-	-
Strategic Acquisitions	1,100	1,000	-	-	-
Town Centre & Boroughwide Regeneration	7,694	25,696	45,898	-	-
Transport including Fleet	13,037	11,491	6,015	2,275	2,015
Health & Adult Social Care Community Services	**2,682**	**1,400**	**400**	**400**	**400**
Social Care	549	400	400	400	400
Disabled Facilities Grant	2,133	1,000	-	-	-
Housing Revenue Account	**4,235**	**1,632**	**922**	**800**	**-**
Housing Revenue Account	4,235	1,632	922	800	-
Reform	**100**	**100**	**700**	**200**	**200**
District Investment Fund	100	100	700	200	200
Capital General	**5,000**	**3,000**	**1,500**	**1,500**	**1,500**
Funds yet to be allocated	5,000	3,000	1,500	1,500	1,500
Budget Expenditure Total	**84,332**	**77,706**	**80,785**	**13,411**	**5,964**

Resources Available	2019/20 £000	2020/21 £000	2021/22 £000	2022/23 £000	2023/24 £000
Ringfenced Grants	**(7,689)**	**(10,403)**	**-**	**-**	**-**
2016-21 Shared Ownership and Affordable Homes Programme (SOAHP)	(386)	(1,250)	-	-	-
Devolved Formula Capital (DFC)	(673)	-	-	-	-
Grant in Aid	(283)	-	-	-	-
Growth Deal 3	(1,180)	(4,499)	-	-	-
Heritage Lottery	(1,500)	(1,540)	-	-	-
Housing Infrastructure Fund - (HCA)	(2,000)	(2,947)	-	-	-
Local Growth and Reform 2 Grant	(1,500)	-	-	-	-
Special Provision Fund - Pupils with Special Educational Needs (SEN) And Disabilities 2018-2021	(167)	(167)	-	-	-
Un-ringfenced Grants	**(26,972)**	**(14,972)**	**(13,841)**	**(6,973)**	**(1,973)**
Basic Need Capital Grant	(20,310)	(9,819)	(11,868)	(5,000)	-
Better Care Fund (Disabled Facilities Grant) 2018/19	(1,219)	-	-	-	-
Better Care Fund (Disabled Facilities Grant) 2019/20	(914)	(1,000)	-	-	-
Capital Maintenance Grant	-	(880)	-	-	-
School Condition Allocation	(1,300)	(1,300)	-	-	-
Local Transport Programme Grant	(80)	-	-	-	-
Local Transport Programme - Highway Maintenance Grant	(3,149)	(1,973)	(1,973)	(1,973)	(1,973)
Other resources – Capital Receipts	**(19,042)**	**(4,306)**	**(8,629)**	**(2,574)**	**(3,949)**
Agreed Council Resources	(16,042)	(4,306)	(8,629)	(2,574)	(3,949)
Flexible Use of Capital Receipts	(3,000)	-	-	-	-
Other resources - Other	**(67)**	**(73)**	**(3,935)**	**-**	**-**
Contribution from 3rd Parties	-	-	(3,935)	-	-
Revenue Contribution to Capital Outlay (RCCO) B/Fwd	(67)	(73)	-	-	-
Other resources - Prudential Borrowing	**(26,713)**	**(43,919)**	**(48,558)**	**(3,064)**	**(42)**
Prudential Borrowing	(26,713)	(43,919)	(48,558)	(3,064)	(42)
Revenue Contribution - Housing Revenue Account (HRA)	**(3,849)**	**(4,033)**	**(5,822)**	**(800)**	**-**
Revenue Contribution to Capital Outlay - HRA	(3,849)	(4,033)	(5,822)	(800)	-
Resources Total	**(84,332)**	**(77,706)**	**(80,785)**	**(13,411)**	**(5,964)**

Annex D

Flexible Use of Capital Receipts Strategy

Introduction

In March 2016, the Secretary of State for Housing, Communities and Local Government issued Statutory Guidance that permitted Local Authorities to use capital receipts to fund the revenue costs of transformation for the period 1 April 2016 to 31 March 2019. This flexibility was then extended to 31 March 2022 as part of the 2018/19 Local Government Finance Settlement (LGFS).

Statutory Guidance

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

Examples of Qualifying Expenditure

The MHCLG has indicated types of qualifying expenditure:

- Sharing back office and administrative services with one or more other Council or public sector bodies.
- Investment in service reform feasibility work e.g. setting up pilot schemes.
- Collaboration between Local Authorities and Central Government departments to free up land for economic use.
- Funding the cost of service reconfiguration, restructuring or rationalisation (staff or non-staff), where this leads to ongoing efficiency savings or service transformation.
- Sharing Chief Executives, management teams or staffing structures.
- Driving a digital approach to the delivery of more efficient public services and how the public interacts with constituent authorities where possible.
- Aggregating procurement on common goods and services where possible, either as part of local arrangements or using Crown Commercial Services or regional procurement hubs or Professional Buying Organisations.
- Improving systems and processes to tackle fraud and corruption in line with the Local Government Fraud and Corruption Strategy – this could include an element of staff training.
- Setting up commercial or alternative delivery models to deliver services more efficiently and bring in revenue (e.g. through selling services to others).
- Integrating public facing services across two or more public sector bodies (for example Children's Social Care, trading standards) to generate savings or to transform service delivery.

The Council has used these definitions to determine qualifying expenditure in the context of Oldham Council as highlighted in Table 1.

The Council's Strategy

The Council intends to make use of this flexibility for the three financial years covering the period 1 April 2019 to 31 March 2022.

The Council can only use capital receipts to finance Qualifying Expenditure as defined in this strategy (see above) from the disposal of property, plant and equipment assets received in the year in which this flexibility is offered. The Council will not utilise capital receipts generated on or before 31 March 2019 to finance Qualifying Expenditure.

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

This Strategy outlines the projects which plan to make use of the capital receipt flexibility and provides details of the expected savings/service transformation on a scheme by scheme basis. The Strategy can be replaced at any point during the financial year with a revised Strategy outlining an up to date position.

Council approval for the use of this flexibility is required on at least an annual basis, with plans published on the Council's website and notification of planned use sent to the Ministry of Housing, Communities and Local Government (MHCLG).

Summary of planned receipts

The Council's Capital Strategy and Capital Programme 2019/20 to 2023/24 anticipates that new capital receipts in 2019/20 of £4.558m will be generated to support the Capital Programme. In addition £3.000m has been added to the capital strategy, increasing the capital receipt requirement for 2019/20 to £7.558m – bringing the total capital receipts requirement for 2019/20 to £19.042m. The first call on new capital receipts received in 2019/20 will fund qualifying revenue expenditure as detailed within the Flexible Use of Capital Receipts Strategy.

Summary of planned use and savings

It is intended that capital receipts of £3.000m above will fund the following transformational projects/expenditure as set out in Table 1 (note there is a small element of contingency to allow for variation).

Table 1 – Planned qualifying expenditure

Scheme Description	Qualifying Expenditure	£000 2019/20
Children's transformation - operating model and structural resourcing plan	Funding the cost of service reconfiguration, restructuring and redesign to drive to on-going efficiency, improving working practices including the use of new technology, delivering service transformation and cost savings as evidenced in Table 2.	845
Phase 2 Integration of the Community Provider – to bring together services to work as part of an effective and efficient group, focused on the person at the centre of service delivery	Investment in service reform and collaborative working arrangements as a means to deliver financial and operational efficiencies and an improved customer experience.	51
Joint Commissioning across Oldham Council and Oldham CCG to create efficiencies, streamline provision and improve contract monitoring	Sharing of commissioning expertise, facilities and technology together with the Oldham CCG to drive economies and efficiencies.	206
Delivery of the community enablement programme which will focus on new ways of delivering intermediate care, reablement services and related community based services	Funding the cost of service reconfiguration, restructuring and redesign leading to on-going efficiency savings and service transformation in tandem with an enhanced customer experience.	300
Local Asset Review to deliver rationalisation of the Council's estate as part of the Medium Term Property Strategy	The rationalisation of the Councils office accommodation (and other corporate property assets) to maximise efficiencies and to drive forward integrated working across the public sector, building on the principles of the One Public Estate. Anticipated savings are evidenced at Table 2.	150
Digital by Design - Redesigning the operating model of services to enable a transformation from a mainly mediated customer service offer to a predominately self-service one	Driving a digital approach to the delivery of more efficient public services by improving the Council's digital offer to the people of Oldham. Anticipated savings are evidenced at Table 2.	105
Digital approach - using specialist ICT skills to transform services and develop digital solutions to enable transformation	Driving a digital approach to the delivery of more efficient public services by improving the Council's digital offer to the people of Oldham and the systems technology underpinning the delivery of Council Services. Anticipated savings are evidenced at Table 2.	369

Scheme Description	Qualifying Expenditure	£000 2019/20
The engagement of external transformational skills and expertise – dedicated resources to develop and implement service transformation	Professional service advice, support and guidance leading to service reconfiguration, restructuring and transformation underpinning a range of work streams.	225
Programme Management Office – internal Council support to the facilitation of the organisation's transformational projects	Professional service advice, support and guidance leading to service reconfiguration, restructuring and transformation underpinning a range of work streams.	192
Professional services supporting the delivery of the organisation's range of transformational projects	Professional service advice, support and guidance leading to service reconfiguration, restructuring and transformation across a range of service areas.	620
Total		**3,063**
Contingency for variation		**(63)**
Flexible Use of Capital Receipts Relied on to support the revenue budget		**3,000**

The current forecast of revenue savings are set out in table 2. This is an initial view and will be developed further as the projects are taken forward through the delivery stages.

Table 2 – Forecast revenue savings generated

Scheme Description	£'000 2019/20	£'000 2020/21	£'000 2021/22
Transformation of the Children's services operating model	0	(1,660)	0
Property Savings and Accommodation Review	(500)	(2,000)	(2,000)
Digital by Design	(500)	(1,500)	0
Total	**(1,000)**	**(5,160)**	**(2,000)**

Forecast service transformation

The Revenue Budget for 2019/20 includes significant investment in Children's and Social Care services. The justification for this investment is the delivery of long term efficiencies and improved service delivery as shown in Table 2.

Alongside the financial savings that are forecast to be generated, the investment of capital receipts into the support and delivery of the Oldham Locality Plan with health partners will enable significant service transformation that will benefit residents across the borough as a whole.

The introduction of a joint commissioning function and a redesigned community enablement programme are key strands in delivering the Health and Social Care devolution agenda in Oldham as set out in the Locality Plan; the joint Council and Oldham Clinical Commissioning Group (CCG) vision for the greatest and fastest possible transformation and improvement in the health and wellbeing of our residents by 2021. This improvement will be achieved by supporting people to be more in control of their lives by having a health and social care system that is geared towards wellbeing and the prevention of ill health; access to health services at home and in the community; and social care that works with health and voluntary services to support people to look after themselves and each other therefore transforming the relationship between the population and the health and social care providers within the system.

The Local Asset Review and digital by design initiatives are key elements in the delivery of significant savings for the Council in the Medium Term as referenced in the Council's MTFS. Both underpin the movement of the Council to a leaner and more customer focused organisation.

Impact on Prudential Indicators

The prudential indicators that will be impacted by this strategy are set out below:

- Estimates of Capital Expenditure Indicator increased by £3.000m.
- Capital Financing Requirement increased by £3.000m as these capital receipts were intended to support schemes within the existing programme that will now be financed through prudential borrowing.
- Financing costs as a percentage (%) of net revenue stream 12.88%.

The Prudential Indicators show that this Strategy is affordable and will not impact on the Council's operational and authorised borrowing limits. Further details on the Council's Prudential Indicators can be found within the Treasury Management Strategy.

Monitoring

This Strategy will be monitored throughout the financial year and may be updated and replaced as proposals are developed and expenditure incurred.