

**Report to Overview and Scrutiny Performance and Value for
Money Select Committee**

**Capital Strategy and Capital Programme 2020/21
to 2024/25**

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Reason for Decision

To set out the Capital Strategy for 2020/21 to 2024/25 and thereby the proposed 2020/21 capital programme, including identified capital investment priorities, together with the indicative capital programme for 2021/22 to 2024/25, having regard to the resources available over the life of the programme.

Executive Summary

The Capital Strategy

The Council's Capital Strategy and Capital Programme are set over a five year timeframe. The proposed Capital Strategy and Programme for 2020/21 to 2024/25 takes the essential elements of the 2019/24 and previous years' strategies and programmes and moves them forward in the context of the financial and political environment for 2020/21.

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 2025/26 to 2034/35.

The format of the Capital Strategy reflects the requirements of the latest Prudential and Treasury Management Codes issued by the Chartered Institute of Public Finance and Accountancy (CIPFA). 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

The Capital Strategy is presented at Appendix 1. It is prepared in 15 sections and ensures that all Council Members are presented with the overall long-term capital investment policy objectives and resulting Capital Strategy requirements, governance procedures and risk appetite. The sections are:

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

The Strategy incorporates the refreshed and updated elements of the Medium-Term Property Strategy, the Creating a Better Place Strategy, Commercial Property Investment Strategy and Fund, Housing Strategy and Income Generation Strategy.

Annex C of Appendix 1 sets out the proposed capital expenditure and financing for the period covered by the Capital Strategy, 2020/21 to 2024/25.

The Strategy also advises that the Council is proposing to continue the use of the flexibility provided by the Ministry of Housing, Communities and Local Government (MHCLG) to use capital receipts to fund the revenue cost of transformation. The 2020/21 revenue budget will rely on up to £3.750m of such funding from capital receipts. Annex D sets out the required Flexible Use of Capital Receipts Strategy which advises of the summary of planned receipts, use and savings.

Capital Programme 2019/20 to 2023/24

The 2019/20 month 8 capital monitoring position is elsewhere on the agenda and the projections included in that report are key determinant of the 2020/21 programme. As many schemes span more than one year, the anticipated level of reprofiling between years sets the underlying position.

The projected outturn spending position for 2019/20 is £63.945m. The People and Place Directorate which manages all of the major regeneration projects, constitutes the main area of expenditure (£33.406m). Ringfenced and Un-ringfenced grants (£29.888m) followed by Prudential Borrowing provide the main source of financing (£18.967m).

Actual expenditure to 30 November 2019 was £33.031m (51.63% of forecast outturn). This spending profile is in line with previous years, however the position will be kept under review and budgets will continue to be managed in accordance with forecasts.

Capital Programme 2020/21 to 2024/25

The Council has set out its Capital Programme for the period 2020/21 to 2024/25 based on the principles of the Capital Strategy. The Capital Programme and Capital Strategy have been influenced by the level of resources considered available. The level of prudential borrowing included reflects the financing available in the revenue budget, capital receipts align with forecasts and grant funding and other contributions are based on already notified allocations or best estimates at the time of preparation. If additional resources become available, projects that meet the Council's strategic capital objectives will be brought forward for approval.

The Capital Strategy 2020/21 to 2024/25 has seen a significant increase in the level of investment compared to that previously projected. This is due to the incorporation of the spending plans associated with the recently approved Creating a Better Place strategy which encompasses housing initiatives together with town centre and borough wide regeneration. It also includes the findings of the independent review of the Medium-Term Property Strategy.

The Capital Strategy also reflects the refreshed Commercial Property Investment Strategy and the Income Generation Strategy as well as the approved Housing Strategy.

As at the month 8 capital monitoring position, the anticipated expenditure over the five year life of the 2019/20 to 2023/24 strategy was £272.939m, taking 2019/20 aside (£63.945m) leaves £208.994m for the remainder of the approved 2020/21-2023/24 Capital Programme. Following the approval of the new and refreshed strategies including Creating a Better Place, and moving forward the planning period by one year, the Capital Strategy for 2020/21 to 2024/25 totals £478.725m. The significant increase in investment to deliver change for Oldham is therefore evident.

A review of the Capital Programme has highlighted that there is already a full range of commitments for the period 2020/21 to 2024/25 but additional funding allocations totalling £269.730m have been added to support the ambitious regeneration programme.

The Capital Programme includes proposed expenditure for 2020/21 of £146.776m, with the largest area of expenditure being on regeneration, transport and infrastructure projects within the People and Place Directorate. Total expenditure decreases to £131.467m in 2021/22, then to £102.510m and £40.999m in 2022/23 and 2023/24 respectively, and in the final year of the current programme 2024/25 spend increases to an estimated £56.973m.

Resources Available to Support the Capital Programme

The Government is continuing to provide significant levels of grant funding, after an initial reduction at the start of the austerity period. The main source of grant income remains education-related with Basic Need Capital grant funding allocations totalling £25.535m over the life of the programme.

The grant funding provided by Government can be split into two categories: un-ringfenced and ringfenced resources, as explained in Section 10 of the Capital Strategy. The majority of capital Government Grant funding is un-ringfenced. Resources classified as ringfenced have to be utilised to finance particular categories of expenditure and therefore are restricted in their use. The 2020/21 capital programme relies on £22.031m of un-ringfenced and £10.826m of ringfenced grants.

As in previous years, a major source of financing remains prudential borrowing. The amount required in 2020/21 (£99.070m) includes borrowing attributed to schemes that have slipped from prior years and the new borrowing associated with the regeneration programme. It is expected that £30m of this Prudential borrowing will be financed by income provided from property acquisition and investment. In addition, the timing of the borrowing is linked to the cash position of the Council and may therefore not mirror the spending/financing profile set out above.

On-going Review of the Capital Programme

There will be a continued review of capital spending requirements as the Council has further regeneration ambitions but affordability and deliverability will be key consideration in this regard. It is, however, possible that the capital position may change prior to the start of 2020/21 and during the year as:

- There may be further Government funding allocations announced prior to the start of 2020/21.
- The outcome of specific grant bids will be announced during 2020/21.
- It is also likely that there will be new initiatives announced later in the financial year.
- There may also be the opportunity to bid for additional funding.
- The Council may identify other funding sources, including capital receipts, to finance additional capital expenditure.

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

Consultation

There has been consultation on the proposed Capital Strategy and Capital Programme for 2020/21 to 2024/25 at Capital Investment Programme Board on 20 December 2019.

Recommendations

That Overview and Scrutiny Performance and Value for Money Select Committee considers and comments upon:

- i) The Capital Strategy for 2020/21 to 2024/25 at Appendix 1 of this report and summarised at section 2.1.
- ii) The Capital Programme for 2020/21 and indicative programmes for 2021/22 to 2024/25 at Annex C of Appendix 1 and summarised at sections 2.2 to 2.6 of this report.
- iii) The Flexible Use of Capital Receipts Strategy as presented at Annex D of Appendix 1.

Overview and Scrutiny Performance and Value for Money Select Committee

23 January 2020

Capital Strategy and Capital Programme 2020/21 to 2024/25

1. Background

- 1.1 In accordance with good practice, the Council has traditionally prepared a Capital Strategy, the overarching aim of which is to provide a framework within which the Council's capital investment plans will be delivered. This Capital Strategy for 2020/21 to 2024/25 has been prepared to cover an initial five year time-frame to align with the Medium Term Financial Strategy of which it is an integral part. Recognising that there is some uncertainty, especially in relation to funding in later years, the Strategy therefore focuses on 2020/21 and 2021/22 in detail.
- 1.2 The Strategy does however include a longer term vision, which also covers the time frame for 10 years from 2025/26 to 2034/35. 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 reflects the requirements of the latest Prudential and Treasury Management Codes issued by CIPFA. 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 strategic policy objectives, governance procedures and how associated risks are managed; and
 - The implications for future financial sustainability.
- 1.4 This report therefore summarises the key elements of the Capital Strategy which are outlined in more detail at Appendix 1.
- 1.5 The report also presents the proposed 2020/21 to 2024/25 capital spending plans of the Council which have significantly increased due to the range of initiatives that are included in the Creating a Better Place strategy. This taken together with an update on spending in 2019/20, has a significant influence over the profiling of expenditure into future years.
- 1.6 The proposed Capital Strategy and Capital Programme for 2020/21 to 2024/25 therefore take the essential elements of previous Capital Strategies and Programmes and moves them forward in the context of the financial and political environment for 2020/21 onwards. The Capital Strategy is attached at Appendix 1, with the Capital Programme, which reflects the principles of the Strategy, attached at Annex C of Appendix 1.

2 Current Position

2.1 Capital Strategy 2020/21 to 2024/25

- 2.1.1 The overarching aim of the Oldham Capital Strategy is to provide a framework within which the Council's capital investment plans will be delivered over a five-year timeframe, 2020/21 to 2024/25, but as advised above, the format and content of the Capital Strategy reflects the latest guidance issued by CIPFA as part of the Prudential and Treasury Management Codes. The Strategy also has reference to the latest guidance issued in November 2019 entitled Prudential Property Investment.

- 2.1.2 The Capital Strategy and spending plans of the Council are driven by the ethos of the Co-operative Council and the objectives of the Corporate Plan. The Plan is now being refreshed and updated to take account of progression of the Oldham Model as set out in the Oldham Plan 2017-2022. The Corporate Plan reflects current organisational priorities and key changes resulting from Greater Manchester devolution as well as informing decision making and budget priorities, as the Council continues to navigate a period of transition and transformation. The new Corporate Plan will be launched in May 2020.

Creating a Better Place

- 2.1.3 The Capital Programme for 2019/20 (as at Month 8, elsewhere on the agenda) does not reflect the impact of the Creating a Better Place strategy. The Capital Strategy and Capital Programme for 2020/21 to 2024/25 have been prepared to include additional investment; largely stemming from the £306m linked to the Creating a Better Place strategy. It should however be noted that whilst in overall terms investment will total £306m, it will be split between capital projects of £102m and investment projects of £204m. It is also important to note that the £306m encompasses spending already within the 2019/20 Capital Programme, planned spending in the 2020/21 to 2024/25 period of the Capital Strategy as well as in the ten years beyond 2024/25.
- 2.1.4 This strategy reprofiles existing property service priorities and places corporate land and property at the centre of an ambitious plan for building new homes, creating job opportunities, and re-engaging communities and partners through property / estate co-location and collaboration. As well as these objectives, the strategy aims to significantly reduce the net cost of managing and maintaining corporate land and property assets; the savings from which are expected to make a major contribution towards closing the Council's budget reduction requirement over the medium-term as part of a wider programme of transformation.
- 2.1.5 The development of this major new strategy stemmed from an independent review of the Medium-Term Property Strategy and envisages a major programme of property led change, including town centre regeneration with a new 'homes' focus as set out in the Town Centre Vision and Housing Strategy, and a desire to review and expand property investments to help secure revenue funding.
- 2.1.6 As a result, schemes within the proposed Capital Programme relating to the Creating a Better Place strategy include:
- Investment in New Homes – The aim of the Housing Strategy is to provide a diverse housing offer that is attractive and meets the needs of different sections of the population at different points in their lives and focuses on the dynamics between people, homes and the wider economy. A key strand of this approach is the availability of a Flexible Housing Fund (FHF) designed to support external partners to self-develop housing in less viable areas of the borough to help deliver the required number of new homes. Overall investment in new homes will total £157m.
 - Town Centre Regeneration – The Council is continuing to invest in the town centre with expected spend of £103m through the strategic acquisition of properties, housing initiatives, the relocation/integration of public sector services, the delivery of a theatre / performance space within the Town Centre and transformation of the Market.
 - Borough-Wide Regeneration – The Council is investing £46m across the borough. Projects include the development of housing and employment sites at Broadway

Green, Hollinwood and Salmon Fields. The Council will also take advantage of suitable investment and income generation opportunities across Oldham in order to advance regeneration objectives and provide additional revenue streams to support service delivery as part of the Commercial Property Investment Strategy.

- 2.1.7 Creating a Better Place also encompasses existing schemes in the programme such as the Oldham Museum & Archives (OMA) scheme which is currently in the delivery stage.

Supporting Strategies (Housing and Commercial Property Investment)

- 2.1.8 Complementing the Creating a Better Place strategy is a refreshed Housing Strategy for Oldham (approved by Cabinet in June 2019). It was developed in line with the Oldham Plan, the GM Spatial Framework and the GM Housing Strategy. The strategy recognises the function that housing plays in supporting health and social care integration and wider public sector reform. A key objective of the development of the new housing strategy has been to reset the housing delivery framework that can start to tackle the challenges identified in the evidence based Local Housing Needs Assessment and help meet the housing priority identified over the short, medium and long term.

- 2.1.9 An updated Commercial Property Investment Strategy and Fund (CPIS) was approved alongside the Creating a Better Place strategy in December 2019. The CPIS facilitates the development of a robust, property investment portfolio in order to generate a sustainable future income stream to contribute to the financing of Council service delivery. The CPIS has regard to the revised Prudential Code issued in 2017 and the CIPFA document Prudential Property Investment issued in November 2019. 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.

Non-Treasury Investments

- 2.1.10 The Capital Strategy incorporates specific information on non-treasury investments. This is aligned, to but reported separately, from the Treasury Management Strategy Statement (elsewhere on the agenda). 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 of capital, liquidity, yield and taking an ethical approach.

- 2.1.11 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 Council's 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; and
- The risks associated with each activity.

The Principles of the Capital Strategy

- 2.1.12 The Capital Strategy has 16 principles outlined in Appendix 1 Section 2. These are largely unchanged from previous years and emphasise the role of the Capital Investment Programme Board (CIPB) in leading the strategic direction for capital investment with

the Terms of Reference of the CIPB included at Annex B of Appendix 1. The principles include:

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

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

Priority Areas for Investment

2.1.14 Section 3 of Appendix 1 advises of the priority investment areas identified for the 2020/21 to 2024/25 period that will be taken forward subject to the availability of resources and the approval of a full business case.

2.1.15 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

2.1.16 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) Oldham Green New Deal Strategy
- d) Surplus Sites
- e) Working with NHS Partners
- f) School Investment
- g) GM investment Fund Loans
- h) Medium Term Property Strategy/Creating a Better Place
- i) Development of Housing Initiatives
- j) GM Devolution and Related Initiatives
- k) Matched Funding for Grant Bids
- l) Northern Roots
- m) Royton Town Centre Development
- n) Transport Capital Programme

2.1.17 Included within the Capital Strategy is an unallocated resource for Funding for Emerging Priorities. This resource can be deployed to support existing priority schemes or new initiatives. This is considered a prudent approach to allow flexibility, revision and reassessment of priorities.

- 2.1.18 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 2025/26 to 2034/35.

Supporting Greater Manchester Devolution

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

Affordability, Delivery and Risk Associated with the Capital Schemes

- 2.1.20 In accordance with the requirements of the Prudential and Treasury Management Codes the Council must state how it will ensure that its capital spending plans are affordable, how projects will be delivered and how risks associated with the Capital Programme are managed. This is outlined at Section 5 of Appendix 1. This Section also demonstrates how the Council has presented the concept of proportionality with regard to reliance on income from property acquisition and investment supporting the net revenue budget. The reliance on such income is minimal.

Knowledge and Skills

- 2.1.21 It is essential to advise of the knowledge and skills of the staff who have responsibility for the preparation and on-going management of the capital and treasury management strategies and other key activities in relation to the management of the Capital Programme. Members can be assured that the Council has suitably skilled and experienced staff and appropriate governance arrangements are in place, as set out more fully in Section 6 of Appendix 1.

Treasury Management

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

Long Term Loans

- 2.1.23 Section 8 of Appendix 1 advises that the Council has the ability, should it choose to exercise its powers, to enter into loan arrangements to support delivery of strategic corporate priorities. It also advises that the Council has chosen to make some but limited use of its ability to enter into loan arrangements. Two loans have recently been advanced, both to key partners on commercial terms at commercial interest rates. Members can be assured that there is strong governance in place to ensure robust due diligence and decision making.

Other Non-Treasury Investments

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

Capital Resources to Support Capital Expenditure

- 2.1.25 Section 10 of Appendix 1 sets out the range of resources that the Council will rely on to support capital spending. In addition to prudential borrowing and Government grants, which together are the main financing source for the Capital Programme, the Council will, depending on the circumstances, consider using a range of resources and opportunities to finance capital expenditure and will continue to monitor the availability and suitability of alternative sources of financing. Financing decisions will, however, be made in the context of the schemes being considered for approval and the financial position of the Council at the time a decision is required.
- 2.1.26 This section also highlights the circumstances where capital receipts will be ringfenced to support specific purposes. This includes ringfencing of up to £3.750m to support the Council's use of flexibility in the utilisation of the capital receipts (see section 2.1.32).

Capital Investment and Disposal Appraisal

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

How the Capital Requirements will be Prioritised

- 2.1.28 Section 12 of Appendix 1 advises that once a bid for capital expenditure has passed through the Gateway process, has demonstrated that it meets Council Objectives, and links to the Greater Manchester Strategy (if appropriate), and it has been agreed that it is suitable for capital investment, the strategic requirements will be prioritised using a range of criteria which are not mutually exclusive or in ranking order. Detailed in full at Section 12, these include:
- The relationship to mandatory, contractual or legislative service delivery requirements.
 - Whether the project is required to achieve the delivery of a specific revenue budget saving within the revenue budget setting process.

How the Council will Procure its Capital Projects

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

How the Council will Measure the Performance of the Capital Programme

- 2.1.30 Section 14 of Appendix 1 highlights the approach to managing the performance of the Capital Programme. It advises that the Council's strong programme management

approach is modelled on the PRINCE 2 project management methodology and the Office of Government Commerce (OGC) Gateway Review System. This ensures that investments are planned, managed and delivered prudently. In addition, the CIPB has a remit to review the financial performance of the Capital Programme and it receives a monthly monitoring report and undertakes a detailed annual review of the Capital Programme.

The Capital Investment Programme Board

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

Flexible Use of Capital Receipts Strategy

- 2.1.32 The Council is proposing to utilise the flexibility provided by the Ministry of Housing, Communities and Local Government (MHCLG) to use capital receipts to fund the revenue cost of transformation. The 2020/21 revenue budget will rely on up to £3.750m of such funding from capital receipts. Annex D sets out the required Flexible Use of Capital Receipts Strategy which advises of the summary of planned receipts and summary of planned use and future savings.

2.2 Capital Programme 2020/21 to 2024/25

- 2.2.1 The Council is required to set out its Capital Programme for the period 2020/21 to 2024/25 based on the principles of the Capital Strategy. As previously advised, an initial timeframe of five years has been adopted. The Capital Programme and Capital Strategy have, at this stage, been influenced by the Creating a Better Place strategy and level of resources considered available. The level of prudential borrowing included reflects the financing available in the revenue budget and through anticipated income streams, capital receipts align with forecasts and grant funding and other contributions are based on already notified allocations or best estimates at time of preparation. If additional resources become available, projects that meet the Council's strategic capital objectives will be brought forward for approval.

- 2.2.2 Clearly, the Capital Programme for 2020/21 is influenced by the performance of the Capital Programme for 2019/20. A review has taken place of planned spending in 2019/20 and the programme has been re-profiled as necessary with future years estimates updated.

Update on the 2019/20 Capital Programme

- 2.2.3 The 2019/20 month 8 capital monitoring position (elsewhere on the agenda) includes projections that are a key determinant of the 2020/21 programme. As many schemes span more than one year, the anticipated level of re-profiling between years sets the underlying position.
- 2.2.4 The Capital Programme for 2019/20 was approved at the Council meeting of 27 February 2019, with expenditure of £84.332m and supporting financing. This has been reduced downwards throughout the year and has subsequently been amended month on month to reflect agreed changes. This includes the actions arising from the findings of the 2019/20 annual review of the Capital Programme, a comprehensive project by project

scrutiny of all schemes in the programme. This was conducted over the summer months of 2019 for the CIPB.

- 2.2.5 The latest available capital monitoring position for the 2019/20 to 2023/24 Capital Programme at month 8 includes projected capital expenditure totalling £63.945m for 2019/20 matched with corresponding financing. The People and Place Directorate which manages all of the major regeneration projects, constitutes the main area of expenditure (£33.406m). Ringfenced and Un-ringfenced Grants provides the main source of financing (£29.888m) followed by Prudential Borrowing (£18.967m).
- 2.2.6 Actual expenditure to 30 November 2019 was £33.031m (51.63% of forecast outturn). This spending profile is in line with previous years, however the position will be kept under review and budgets will continue to be managed in accordance with forecasts.
- 2.2.7 The 2019/20 month 8 capital spending and financing position is set out in the table below.

Table 1 - Revised 2019/20 Capital Programme

Directorate Expenditure	Capital Programme as at M08 £000
Corporate Services	6,738
Children's Services	18,781
Community Services & Adult Social Care	2,029
Housing Revenue Account	1,854
People and Place	33,406
Reform	39
Funding for Emerging Priorities	1,098
Total Expenditure	63,945
Ringfenced Grants	(8,310)
Un-ringfenced Grants	(21,578)
Capital Receipts	(13,143)
Other Contributions	(87)
Prudential Borrowing	(18,967)
Revenue (HRA & General Fund)	(1,860)
Total Resources	(63,945)

- 2.2.8 The capital receipts position as at 30 November 2019 is as follows:

Table 2 - Capital Receipts Position

Capital Receipts Position	£000
Forecast Capital Receipts Available by 31/3/19	(9,163)
Expenditure to be Funded from Capital Receipts	13,143
Forecast Capital Receipts shortfall	3,980

- 2.2.9 The revised Capital Programme requires the availability of £13.143m of capital receipts in 2019/20 for financing purposes. The total net usable capital receipts at month 8 is £6.627m. It is anticipated that additional capital receipts will be received during the remainder of the year and it is expected that the current programme of asset

rationalisation will identify further assets that are or will become surplus to requirements within the Capital Strategy timeframe. However, if required, any variance to the revised Capital Programme will be made up from other resources.

2.2.10 As referred to at 2.2.4 above, the annual review of the Capital Programme examined all schemes to give Members confidence that planned expenditure remained relevant and aligned with corporate objectives. The Capital Programme for 2020/21 (and future years) reflects the results of the review.

2.2.11 It is anticipated that the 2019/20 position will still continue to change as Cabinet reports are approved and with amendments reviewed by the CIPB and approved under delegated authority as a result of the on-going monitoring process.

2.3 Proposed Expenditure for 2020/21 to 2024/25

2.3.1 The table below sets out a summary of the anticipated expenditure and matched financing of £478.725m, which incorporates resources expected to be carried forward from 2019/20. The proposed 2020/21 to 2024/25 programme reflects the 2019/20 month 8 position (summarised previously) together with an enhanced projection of expenditure for 2020/21 to 2024/25 incorporating anticipated spending on planned initiatives and an allowance, at Funding for Emerging Priorities to support new initiatives. The detailed programme is set out at Annex C of Appendix 1 on a Portfolio basis.

Table 3 - Capital Programme 2020/21 to 2024/25

Proposed Capital Spending	2020/21 £000	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000
Corporate Services	6,010	-	-	-	-
Children's Services	15,590	12,305	5,000	-	-
Community Services & Adult Social Care	3,400	703	400	400	400
People and Place	112,452	110,562	86,710	29,664	55,073
Housing Revenue Account Reform	5,538	3,922	6,200	7,735	-
Funding for Emerging Priorities	3,440	3,575	4,200	3,200	1,500
Total Expenditure	146,776	131,467	102,510	40,999	56,973

Funding	2020/21 £000	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000
Ringfenced Grants	(10,826)	(2,397)	(1,250)	-	-
Un-ringfenced Grants	(22,031)	(14,258)	(3,202)	(1,973)	(1,973)
Capital Receipts	(9,306)	(7,855)	(7,352)	(3,949)	-
Other Resources	(5)	(3,935)	-	-	-
Prudential Borrowing	(99,070)	(99,100)	(84,506)	(27,342)	(55,000)
Revenue (HRA & General Fund)	(5,538)	(3,922)	(6,200)	(7,735)	-
Total Funding	(146,776)	(131,467)	(102,510)	(40,999)	(56,973)

2.3.2 Members should be aware that the planned expenditure detailed in the table above does not align to the Month 8 Monitoring report elsewhere on the agenda, which reflects the currently approved capital position for 2019/20 to 2023/24. The above table sets out the

proposed capital programme for 2020/21 to 2024/25 (subject to approval) having regard to the Creating a Better Place strategy.

2.4 Resources Available to Support the Capital Programme

2.4.1 The Government is continuing to provide significant levels of grant funding, after an initial reduction at the start of the previous decade. Some new funding initiatives have been introduced, some of which carry through to 2020/21 and beyond. Grants have been awarded/anticipated for Education, Social Care and Transport projects. The Council has not yet received all grant allocation notifications for 2020/21. The grants will be incorporated into the Capital Programme when the announcements have been made.

2.4.2 The main source of grant income remains education-related with Basic Need Capital grant funding allocations totalling £12.021m for 2020/21. The School Condition Allocation grant is anticipated with an indicative allocation of £1.000m for 2020/21 in addition to £1.800m forecast to be carried forward from 2019/20. This acknowledges that some funding will be lost as more schools convert to academy status. The resources available to support the programme are described in more detail in the following sections.

Government Grant Funding

2.4.3 The Government resources available to the Council can be split into two categories: un-ringfenced and ringfenced resources, as explained in Section 10 of the Capital Strategy.

2.4.4 Some Government grant resources have been moved between financial years in order to support re-profiled expenditure as detailed in Annex C of Appendix 1.

2.4.5 The resources available can also be split between those which do not have revenue consequences and those that do have revenue consequences and therefore require financing through the revenue budget.

Funding With No Revenue Consequences

1) Government Grants and other external grants and contributions

This is funding provided directly by Government or other external providers. It can be ringfenced, specific and un-ringfenced. Un-ringfenced resources are those that can be utilised to finance any project (albeit there is usually an expectation of use for a specific purpose). The majority of capital Government Grant funding is un-ringfenced. Resources classified as ringfenced have to be utilised to finance particular categories of expenditure and therefore are restricted in their use. The 2020/21 Capital Programme relies on £22.031m of un-ringfenced and £10.826m of ringfenced grants.

2) Capital Receipts

This is income received from the sale of Council assets and is usually un-ringfenced. The 2020/21 programme relies on £9.306m of capital receipts.

In general it should be noted that a prudent approach has been taken in relation to the anticipated level of receipts with no resources assumed in excess of the requirement to support already approved schemes. However, taking advantage of flexibilities around the use of capital receipts introduced by the Government, the Council anticipates using up to £3.750m of capital receipts in 2020/21 to support transformational projects which would otherwise be financed by revenue resources.

Funding With Revenue Consequences

1) Prudential Borrowing

This is borrowing undertaken by the Council for specific projects. It is financed by revenue resources and is entirely at the discretion of the Council. Prudential borrowing has been used to support the major investment programmes which could not otherwise have been funded. The 2020/21 programme relies on £99.070m of prudential borrowing which has been fully financed.

- 2.4.6 As in previous years, the major source of financing remains prudential borrowing; the amount required in 2020/21 includes borrowing attributed to schemes that have slipped from prior years. The Council will aim to reduce the amount of borrowing and associated financing costs by maximising grant income and capital receipts. Some borrowing, in relation to commercial activities, will be financed by increased income and revenue streams generated at the point when projects are completed and become operational. In addition, the timing of the borrowing is linked to the cash position of the Council and may therefore not mirror the spending/financing profile set out above.

2.5 Capital Requirements for 2020/21

Resources Committed in 2020/21 to 2024/25

- 2.5.1 A review of the Capital Programme has highlighted that there is already a full range of commitments for the period 2020/21 to 2024/25 with net additional funding allocations totalling £269.730m. The table below shows the associated financing:

Table 4 – Change in Resources Included in the Capital Programme 2020/21 to 2024/25

Financing	2020-2024 Capital Strategy Position (@ M08) £000	2020-2025 Capital Strategy Position (Proposed) £000	Movement £000
Prudential Borrowing	(108,938)	(365,017)	(256,079)
Capital Receipts	(31,293)	(28,464)	2,829
Revenue Contributions	(11,887)	(23,395)	(11,508)
Grants & Contributions	(56,877)	(61,849)	(4,972)
Total	(208,995)	(478,725)	(269,730)

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

Corporate Services

- 2.5.3 Corporate Services expenditure is not specifically assigned or under the direct control of a service department. It relates to schemes that are corporate in nature rather than service specific. Total projected spending on Corporate Services projects is £6.010m over the strategy period. A total of £2.260m relates to Investment/Income Generation Opportunities. The funding for Investment/Income Generation opportunities is intended to enable the Council to take advantage of schemes which provide a sustainable income

stream to support the Council's budget from the acquisition or investment in property assets as well as general income generation schemes, whilst having regard to risk management considerations. Planned spending is phased as set out below:

Table 5 - Corporate Services Expenditure over the Capital Strategy 2020/21 to 2024/25

	2020/21 £000	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000
Investment / Income Generation Opportunities	2,260	-	-	-	-
Flexible Use of Capital Receipts	3,750	-	-	-	-
Total	6,010	-	-	-	-

Children's Services

2.5.4 There is planned Directorate expenditure of £32.895m over the period 2020/21 to 2024/25 as shown below:

Table 6 – Children's Services Expenditure over the Capital Strategy 2020/21 to 2024/25

	2020/21 £000	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000
Children's Services Directorate	15,590	12,305	5,000	-	-

2.5.5 The main focus of spending is, as would be expected, the school building and development programme largely funded by the Government's Basic Need grant allocation

Community Services and Adult Social Care Directorate

2.5.6 There is planned Directorate expenditure of £5.303m phased over the 5 year programme as set out below:

Table 7 - Community Services and Adult Social Care Directorate Expenditure over the Capital Strategy 2020/21 to 2024/25

	2020/21 £000	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000
Community Services and Adult Social Care Directorate	3,400	703	400	400	400

2.5.7 This area of spending is focused on Social Care. The major areas of expenditure in relation to 2020/21 are as follows:

- Resources of £0.400m are specifically allocated in 2020/21 to support local Social Care Schemes.
- Indicative funding of £2.000m relating to the expansion of the Disabled Facilities Grant (including re-phasing of £1.000m from 2019/20).

People and Place Directorate

2.5.8 There is planned Directorate expenditure of £394.461m over the period 2020/21 to 2024/25 as shown below:

Table 8 People and Place Directorate Expenditure over the Capital Strategy 2020/21 to 2024/25

	2020/21 £000	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000
People and Place Directorate	112,452	110,562	86,710	29,664	55,073

2.5.9 The major areas of expenditure in relation to 2020/21 are as follows:

Table 9 - People and Place Directorate Expenditure 2020/21

Service Area	£000
Corporate Property	4,117
Environment	100
Information Technology	4,055
Neighbourhood Development Fund	178
Other Regeneration Priorities	15,657
Private Sector Housing	1,065
Royton Town Centre Development	2,793
Strategic Acquisitions	7,795
Town Centre Regeneration	63,947
Transport including Fleet	12,745
Total	112,452

2.5.10 Clearly, the main focus of spending is town centre and other regeneration which incorporates borough wide initiatives. These areas encompass a wide range of high priority schemes as detailed in Annex A of Appendix 1. It is, however, possible that some of this spending may be re-profiled as 2020/21 progresses.

2.5.11 Another significant area of spending is transport, covering a wide range of major highways schemes together with the continuation of the planned £18.000m investment in the carriageway improvement programme approved at Cabinet in November 2017.

Housing Revenue Account

2.5.12 Projected spending on Housing Revenue Account projects of £23.395m over the life of the programme is phased as follows:

Table 10 - Housing Revenue Account Expenditure over the Capital Strategy 2020/21 to 2024/25

	2020/21 £000	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000
Housing Revenue Account	5,538	3,922	6,200	7,735	-

2.5.13 The primary focus of this is the Princes Gate Site C, developing temporary accommodation to meet homelessness demands, the Purchase and Repair and Lease

and Repair pilot schemes in the private rented sector and provision for future housing purchases.

Reform Directorate

- 2.5.14 There is planned Directorate expenditure of £0.746m over the 5 year life of the programme as shown below.

Table 11 Reform Directorate Expenditure over the Capital Strategy 2020/21 to 2024/25

	2020/21 £000	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000
District Investment Fund	246	-	-	-	-
Local Investment Fund	100	400	-	-	-
Total	346	400	-	-	-

- 2.5.15 All the spending in the Reform Directorate reflects spending in relation to the District Investment Fund and the Local Investment Fund.

Funding for Emerging Priorities

- 2.5.16 Within the programme, there is currently an unallocated resource of £15.915m over the five years of the Capital Programme as highlighted below:

Table 12 – Funding for Emerging Priorities to be allocated over the Capital Strategy 2020/21 to 2024/25

	2020/21 £000	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000
Funding for Emerging Priorities	3,440	3,575	4,200	3,200	1,500

- 2.5.17 This unallocated resource can be deployed to support existing priority schemes or new initiatives, including those highlighted above for which not specific allocation exists, for example Greater Manchester Devolution and Related Initiatives and Matched Funding for Grant Bids.
- 2.3.18 This is considered a prudent approach to allow flexibility, revision and reassessment of priorities. Provision of £3.440m is available in 2020/21 with a further £12.475m available over the rest of the Capital Programme period.
- 2.5.19 The use of these unallocated resources will be prioritised by the CIPB including any realignment into future years. It is expected that all of these resources will be used over the life of the programme.

2.6 Proposed Capital Programme

- 2.6.1 Annex C of Appendix 1 of this report details the proposed 2020/21 Capital Programme and the indicative programme for the period 2021/22 to 2024/25. The strategy of the Council is to prepare a Capital Programme that balances over the life of the programme so that resources equal overall expenditure. Therefore, over the five years there is planned expenditure of £478.725m with corresponding financing.

2.6.2 Total expenditure in 2020/21 is planned at £146.776m. However, the in-year position is anticipated to evolve as:

- There may be further Government funding allocations announced prior to the start of 2020/21.
- The outcome of specific grant bids will be announced during 2020/21.
- It is also likely that there will be new initiatives announced later in the financial year.
- There may also be the opportunity to bid for additional funding.
- The Council may identify other funding sources, including capital receipts, to finance additional capital expenditure.

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

3. **Options/Alternatives**

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

4. **Preferred Option**

4.1 The preferred option is that the Committee Members consider and comment upon the Capital Strategy and Capital Programme as set out in this report, including priority investment proposals.

5. **Consultation**

5.1 Consultation has taken place with the members of the CIPB which includes Cabinet Members. Members of the CIPB have contributed to the preparation of the 2020/21 to 2024/25 Capital Strategy and Capital Programme.

6. **Financial Implications**

6.1 By the very nature of this report, it contains financial details of the capital expenditure and financing associated with the delivery of the 2020/21 Capital Programme.

6.2 In overall terms, the planned programme for 2020/21 to 2024/25 totals £478.725m which is fully financed. The revenue consequences of the anticipated prudential borrowing of £365.017m is included within the estimates underpinning the proposed revenue budget and MTFS.

7. **Legal Services Comments**

7.1 Under the Local Authorities (Functions and Responsibilities) (England) Regulations 2000 the responsibility for approving any plan or strategy for the control of Local Authority borrowing, investment or Capital Strategy or for determining the Minimum Revenue Provision is a decision of the full Council. The function of the Executive is to prepare and propose the relevant Strategy to the Council. The Council may require the Cabinet to reconsider, amend, modify, revise, vary, withdraw or revoke the strategy.

8. Co-operative Agenda

8.1 The Capital Strategy and Capital Programme have been prepared so that they embrace the Council's co-operative agenda with resources being directed towards projects that support the aims, objectives and co-operative ethos of the Council.

9. Human Resources Comments

9.1 None.

10. Risk Assessments

10.1 The main risk foreseen at this stage is whether the planned level of capital receipts can be achieved to finance the current capital programme. In order to minimise the risk, a prudent estimate of capital receipts has been made, having regard to the prevailing economic climate which may have an impact on both the timing and level of receipts that can be achieved. The overall level of capital receipts is therefore kept under review and any significant changes are reflected in capital programme forecast outturn figures.

10.2 Actual and potential revisions to Government policy present new risks. The Council must ensure that these are successfully managed, over and above those that are a consequence of any traditional capital programme. In particular these cover risks around expenditure that has already been committed in future years where there is no certainty of continued funding, potential unfunded ongoing legal liabilities, potential overspending requiring an unbudgeted allocation of resources and the general risks around the uncertainty over the nature and level of the 2020/21 and future years' capital funding.

10.3 Following the issue of the revised Prudential and Treasury Management codes a section on the risks associated with the Capital Programme must be included within the Capital Strategy document. The risk section can be found in Appendix 1, paragraph 5.13 to 5.18.

11. IT Implications

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

12. Property Implications

12.1 The level of capital receipts generated from reductions in the corporate estate and the asset rationalisation programme underpins the financing of the capital programme. Every effort will be made to maximise capital receipts while delivering outcomes that support corporate priorities.

12.2 Any proposed new capital projects and capital programme developments will be considered and reviewed in the context of the refreshed Medium Term Property Strategy and Commercial Property Investment Strategy and Fund.

13. Procurement Implications

13.1 None.

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

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

15. **Equality, community cohesion and crime implications**

15.1 None.

16. **Equality Impact Assessment Completed?**

16.1 Not applicable.

17. **Key Decision**

17.1 Yes

18. **Forward Plan Reference**

18.1 FCS -09-19

19. **Background Papers**

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

File Ref:	Background papers are contained within Appendix 1
Officer Name:	Lee Walsh
Contact No:	0161 770 6608

20. **Appendices**

20.1 Appendix 1 – Capital Strategy 2020/21 to 2024/25