

**Oldham Council**

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

## Capital Strategy 2020/21 to 2024/25

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# **1 Aims of the Capital Strategy and its Links to the Council's Corporate Plan, Medium Term Property Strategy, Creating a Better Place Strategy, Commercial Property Investment Strategy and Fund, Housing Strategy and Budget and Policy 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 2020/21 to 2024/25 has been prepared to cover a 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 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.
- 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 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 of capital, 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 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.
- 1.7 CIPFA's Prudential Code requires the Capital Strategy to demonstrate the concept of proportionality between the treasury operations and the non-treasury operations. High-level indicators are referred to in Section 5.

## Co-operative Council

1.8 The 2020/21 to 2024/25 Capital Strategy is influenced by the principles which frame the overarching budget process for 2020/21 and is driven by the ethos 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 regeneration investment to develop the local economy through for example:
  - Taking forward the vision for Oldham town centre;
  - Implementing key strands of the Housing Strategy to improve the housing offer
  - Improving connectivity across the borough;
  - Supporting 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 Greater Manchester 100% Business Rates Retention Pilot scheme which commenced across Greater Manchester on 1 April 2017. This is providing additional resources which have been used to support the revenue budget since 2018/19 and will again in 2020/21.

1.9 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.

### The Council's Corporate Plan

1.10 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 is the contribution to the delivery of the aims of the Corporate Plan.

1.11 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.

1.12 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 has now begun and is expected to be presented in May 2020. The new Corporate Plan will reflect the revised Administration priorities, as well as providing stronger links with the Greater Manchester priorities.

1.13 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/Creating a Better Place Initiative and the Commercial Property Investment Strategy.

#### Medium Term Property Strategy/Creating a Better Place Strategy

1.14 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.

1.15 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.

1.16 The MTPS and its implementation has been key to the Council achieving both cost savings and a more efficient use of the corporate estate, contributing to the delivery of approved and proposed budget reductions. In this regard, Cabinet on 16 December 2019 approved a report entitled Creating a Better Place, which advised that an independent review of the MTPS had taken place to:

- Review the progress to date against the objectives of the MTPS, to challenge whether these were still fit for purpose, to determine the requirement for any amendments and to test opportunities for the acceleration of the programme.
- Look at processes, procedures, governance and structures to ensure that any proposed amendments to the MTPS could be adequately supported.

- 1.17 The review was undertaken in the context of obtaining approval for a set of property led changes increasing the range of the Capital Programme to support town centre regeneration and a new “homes” focus which are reflected in the revised spending plans outlined in the Capital Strategy. The findings of the review were summarised by four themes:
- strategy;
  - targets;
  - culture/delivery function structure; and
  - governance.
- 1.18 In taking forward the review findings, the MTPS is being refreshed to align with thematic areas, objectives, financial/milestones and performance targets and also the town centre vision and the Housing Strategy to provide a new approach for the Council to support inclusive growth and thriving communities.
- 1.19 The Creating a Better Place strategy is a new prioritisation strategy and vision for the borough which focuses on building more homes for the borough’s residents, creating new jobs through town centre regeneration and ensuring Oldham is a great place to visit with lots of family friendly and accessible places to go. The new approach has the potential to deliver 2,000 new homes in the town centre, 1,000 new jobs and 100 new opportunities for apprenticeships and is in alignment with Council priorities to be the greenest Borough.
- 1.20 On 27 January 2020, Cabinet approved a further report also entitled Creating a Better Place which confirmed the initiative as the comprehensive vision and strategic framework for the borough and the approach to accelerating the delivery of the ambitions for Oldham in ways that contribute to a reduction in carbon in support of the Green New Deal.
- 1.21 In alignment with Creating a Better Place, existing and new projects have been reprioritised (as presented within the Capital Strategy). In addition, targets are being revised, project delivery arrangements and team working will be enhanced and governance arrangements will be consolidated around the operation of the Corporate Property Board.

#### Commercial Property Investment Strategy and Fund

- 1.22 In December 2019, Cabinet approved the refreshed Commercial Property Investment Strategy and Fund (CPIS). This facilitates development of a robust, property investment portfolio in order to generate a sustainable future income stream to support the Council’s mainstream service delivery. The CPIS will operate having regard to the guidance of 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.
- 1.23 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.
- 1.24 There are two main additions to the refreshed CPIS, which are the inclusion of two new categories of investment as an opportunity for income generation as follows:
- a) Debt investments /equity investments:
    - Debt investment utilises the purchase of a debt instrument with a profit at the end of the investment period and profit interest during the investment period.
    - Equity investment occurs when shares or part of a building is purchased, generating a dividend payment.
  - b) Investment in green technologies which not only promotes sustainability in alignment with the Council's Green Strategy but would generate income through investment in a scheme producing an annual tariff return.
- 1.25 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 financially sound tenants and on relatively long leases and having a diversified investment portfolio by sector and geography.
- 1.26 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) A £9m fully financed allocation in the Capital Programme.
  - b) Additional Prudential Borrowing.
  - c) Capital Receipts from the disposal of investment properties managed through the CPIS.
  - d) Resources allocated annually through the Capital Strategy and approved at Budget Council.

#### Housing Strategy

- 1.27 At the Council meeting on 10 July 2019 the updated Housing Strategy for Oldham was approved. It was developed in line with the Oldham Plan, the GM Spatial Framework and the GM Housing Strategy. It 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 priorities identified over the short, medium and long term. It is a strategic document to help share the future service models and seeks to place housing and place sharing at the heart of the Oldham Partnerships collective vision for the borough.
- 1.28 The new Housing Strategy will:
- Enable the Council to determine priorities in each district or local housing market area as defined by the Local Housing Needs Assessment evidence base;
  - Inform bids for both public and private funding to support the development of new homes in Oldham;
  - Support the Council and its partners to make more informed People and Place making decisions about the targeting and future integrated commissioning

priorities under for example the already integrated care organisation (Oldham Cares) and underpin external funding bids to support investment in existing housing services and stock in Oldham;

- Enable the Council to focus and develop new policies and ways of working that better fit the operating environment; and
- Inform the Council to progress its energy conservation work, and to satisfy the Council's obligations under the Home Energy Conservation Act.

1.29 The development of the objectives of the Housing Strategy is a key theme of the Town Centre Strategy and the Creating a Better Place strategy and planned spend on housing projects is reflected in the 2020/21-2024/25 Town Centre Regeneration Capital Programme.

#### Working with Partners

1.30 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.

1.31 The Strategic Estates Group (SEG) in Oldham is attended by representatives from 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 was 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 The Capital Strategy is guided by a series of overarching principles. These principles seek to ensure capital resources are focused on gaining maximum benefit from their use in the context of supporting the delivery of the Council's vision and outcomes as described in the Corporate Plan. The 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.



- 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, Priority Areas for Investment.
- 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 funding arrangements; and
  - e) Implementation of the Housing Strategy.
- 2.7 Un-ringfenced grants received in support of the above initiatives will be passported in full to these five areas.
- 2.8 There will be no ringfencing of capital receipts to specific projects, with the exception of those detailed in section 10.3.16.
- 2.9 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 or development of property assets.
- 2.10 For the purposes of preparing the Capital Strategy and Capital Programme for 2020/21, an assumption has been made that all resources that remain unallocated within the 2019/20 programme will be treated as though they are fully committed and carried forward into 2020/21 as a central pool for reallocation to other projects.
- 2.11 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.
- 2.12 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.

- 2.13 The Council is aware 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.
- 2.14 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 or enhance ESFA projects using its land assets and/or financial resources.
- 2.15 Given the evolving devolution agenda and the expectation that the Council will work in a collaborative manner with the Greater Manchester Combined Authority (GMCA) 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.
- 2.16 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.
- 2.17 The Council will have a range of capital investment priorities. Whilst these are initially determined 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 2020/21 to 2024/25 are set out in Section 3.

### **3 Priority Areas for Investment**

- 3.1 The priority investment areas identified for the 2020/21 to 2024/25 period are covered below. This section highlights potential priority investment areas for 2020/21 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.
- 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) 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 Strategy
- i) Housing Initiatives (funded by Housing Revenue Account resources)
- j) GM Devolution and Related Initiatives
- k) Matched Funding For Grant Bids
- l) Northern Roots
- m) Royton Town Centre Development
- n) Transport Capital Programme

3.4 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.

3.5 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.

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

#### **4 Supporting Greater Manchester Devolution**

4.1 Greater Manchester remains at the forefront of the city-region devolution agenda. Since its ground-breaking devolution deal of November 2014, a further six devolution deals have been agreed. These have given the regions additional powers and budgetary control across a range of services and policy areas including health and social care integration, transport, strategic planning, housing, work and skills and the justice system.

4.2 The ambition of the region is set out in the Greater Manchester Strategy which sets out a collective ambition to make Greater Manchester one of the best places in the world to 'grow up, get on and grow old'.

4.3 This strategy is supplemented by additional strategies such as the Greater Manchester Spatial Framework (GMSF), the Local Industrial Strategy (LIS) and the Greater Manchester Transport Strategy.

4.4 These strategies in particular will have a major influence on the future capital investment within the Oldham boundary because:

- The GMSF will influence Oldham's own local plan, which determines where development will take place and the nature of that development (e.g., residential vs commercial);
- The LIS sets out how the region will respond to economic and technical challenges as well as other global forces which will inevitably have a significant long-term influence on Oldham's economy; and
- The Transport Strategy will shape the development of city transport links and connectivity as well as seeing to exercise more controls over network operations through for example bus reforms. This will again, inevitably carry implications for transport investment within the Oldham and neighbouring boroughs.

4.5 GMCA also provides funding for Housing and tackling Homelessness through initiatives such as the GM Housing Investment Fund which the Council may be able to utilise to support its own Housing Strategy.

4.6 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 paragraphs consider 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 (£567.242m for 2020/21). 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. The CFR for 2020/21 is significantly higher than for previous years due to the anticipated impact of the investment relating to the Creating a Better Place strategy.

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 (OLTL) in the table below (£235.495m at the start of 2020/21) which has the effect of inflating the CFR. As can be seen, the Council's actual level of borrowing at the start of 2020/21 is expected to be £167.843m.

	2020/21 Estimate £'000	2021/22 Estimate £'000	2022/23 Estimate £'000	2023/24 Estimate £'000	2024/25 Estimate £'000
<b>External Debt</b>					
Debt at 1 April	167,843	237,599	317,596	405,993	435,990
Expected change in debt	69,756	79,997	88,397	29,997	50,000
Debt at 31 March	237,599	317,596	405,993	435,990	485,990
Opening OLTL at 1 April	235,495	224,425	213,563	204,651	193,979
Expected change in OLTL	(11,070)	(10,862)	(8,912)	(10,672)	(11,365)
Closing OLTL at 31 March	224,425	213,563	204,651	193,979	182,614
<b>Forecast gross debt (borrowing requirement) at 31 March</b>	<b>462,024</b>	<b>531,159</b>	<b>610,644</b>	<b>629,969</b>	<b>668,604</b>
<b>The Capital Financing Requirement</b>	<b>567,242</b>	<b>640,664</b>	<b>699,332</b>	<b>696,594</b>	<b>719,061</b>
<b>Under borrowing</b>	<b>105,218</b>	<b>109,505</b>	<b>88,688</b>	<b>66,625</b>	<b>50,457</b>

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 Council's revenue budget to reflect the cost of repaying the borrowing. The Council's MRP Policy Statement is set out in the Treasury Management Strategy 2020/21.

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. However, in August 2019 the Council undertook new external borrowing of £20.000m from the Public Works Loans Board (PWLB) when the interest rates were within the bottom range.

- 5.6 The Prudential Code states that it is the responsibility of the Council's Chief Finance Officer (Director of Finance) to explicitly report on the affordability, deliverability 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 associated with 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, and these must be built into future years financial projections.
- 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 regular 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 are still aligned to 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 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. Of particular relevance in this regard are the longer-term implications of Brexit and the UK's future relationship with the EU.
- 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. This is a risk that is becoming more high profile given the recent national and international publicity in relation to climate change.
- 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. The Council adopts an integrated view to the management and qualitative assessment of risk and the refreshed Risk Management Strategy and Framework was approved by Cabinet at its meeting on 16 December 2019. This updating of the strategy aimed to simplify the risk management process and to have regard to the most recent good practice developments. 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 have a borrowing liability of £668.604m from 2024/25.

- 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 streams to support the Council's mainstream service delivery. During 2019/20, the Council purchased an industrial estate as part of the Strategy.
- 5.20 With the Council now using the 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". The Council has identified the following indicator (% of non-financial investment income as a contribution to the net revenue budget) to demonstrate the concept of proportionality as shown in the table below. This income relates commercial activity which is generating additional income and revenue savings to support the Council's core services.

	2020/21 Estimate £'000	2021/22 Estimate £'000	2022/23 Estimate £'000	2023/24 Estimate £'000	2024/25 Estimate £'000
<b>Total Net Non-Financial Investment Return</b>	384	634	959	959	959
<b>Net Revenue Budget</b>	<b>233,524</b>	<b>240,564</b>	<b>246,948</b>	<b>254,372</b>	<b>260,880</b>
<b>% of Net Non- Financial Investment Income as a contribution to Net Revenue Budget</b>	<b>0.164%</b>	<b>0.263%</b>	<b>0.388%</b>	<b>0.377%</b>	<b>0.368%</b>

- 5.21 Included in the Council's current Capital Strategy is approved funding to support investment in commercial activity. The Council will operate having regard to the guidance of the revised Prudential Code issued in 2017 and the CIPFA document "Prudential Property Investment" issued in November 2019.

## 6 Knowledge and Skills

- 6.1 The Capital and Treasury Finance Team has responsibility for both the preparation of 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. Treasury Management training has most recently been provided to Cabinet Members in October 2018 and the Audit Committee in October 2019.
- 6.4 When looking at commercial activity transactions either with regard to resources 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.
- 6.5 As approved in the Council's CPIS all acquisition of Investment Property will be considered by the Corporate Property Board comprised of both Members and Officers. In order to act within the timescales required when undertaking commercial negotiations, the Board 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 Council's budget process.
- 7.3 At the end of the five year Capital Strategy period the Council's debt is forecast to be £668.604m. Included within the Council's CFR under long term liabilities are items such as Private Finance Initiative (PFI) and leasing arrangements. The Council is currently expected to have £235.495m of such liabilities at the start of 2020/21 which is expected to reduce to £182.614m by the end of the Capital Strategy period. The Council's Operational Boundary for 2020/21 is forecast to be £574.500m. The Council's Authorised Borrowing limit will be £601.500m for 2020/21.
- 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 an MRP provision of £85.542m.
- 7.5 The Audit Committee is responsible for the scrutiny and governance of Treasury Management activity 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 also scrutinises the Treasury



Management Strategy alongside the full suite of budget reports 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 combined scrutiny process.

7.6 Throughout the year the Audit Committee receives regular updates on performance and emerging issues including 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. All recent reviews have highlighted the high standard by which the treasury management function is delivered.

7.7 Further detail can be found in the Treasury Management Strategy 2020/21.

## **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 the delivery of strategic corporate priorities.

8.2 The Council has chosen to make some but 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 Council's 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 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.

8.4 Loans are treated as capital expenditure and will therefore be approved as part of the Capital Programme.

8.5 The Council has recently provided two significant loans. One is a long-term loan to a strategic stakeholder partner that will generate a sustainable income source for the next 30 years. It also aligns to the Council's corporate priorities and the wider economic development of the GM area. The second is a short-term loan and is an arrangement between the Council and a joint venture partner to support the delivery of the Council's strategic regeneration priorities at a particular development site. Mindful of the requirements of State Aid regulations, the loans have been negotiated at commercial rates of interest.

## **9 Other Non-Treasury Investments**

9.1 Until the recession in 2008, the Council achieved good investment returns on its surplus cash balances. Since then, however, falling interest rates and investment returns have contributed to the pressure on its revenue budget. Combined with the budget shortfall the Council faced and the continued low return on its cash investments, plus Central Government financial support for local public services continuing to decline, the Council investigated various options including investing in commercial property purely or mainly

for financial gain, and to generate a return that can be spent on local public services. As previously mentioned, Cabinet approved a CPIS to give authorisation to invest in property solely to generate additional income to support the Council's mainstream service delivery. When investing in non-treasury investments either property or financial instruments the Council will follow the most recent guidance issued by CIPFA, which includes a document entitled "Prudential Property Investment", which was published in November 2019.

- 9.2 During 2019/20, the Council purchased an industrial estate within the borough, in accordance with the parameters set out in the CPIS following a substantial due diligence process. The purchase will provide a sustainable income stream to offset the costs of the Council in the provision of services. The proportionality of the Council investment decision is highlighted in section 5.
- 9.3 Where income generation is an objective, the Council recognises that there may be a higher risk on commercial property investments than treasury investments. The principal risk exposures of property purchases are the possible fluctuation in capital values, vacancies, tenant defaults and rising financing costs. All these factors can have an impact on the net financial return to the Council. The Council mitigates the risks through the choice of more secure property investments using the criteria described in the CPIS and in time will keep a balanced portfolio spread across different property types. Officers prepare detailed business cases including extensive cash flow models and scenarios for each prospective investment acquisition in order to appraise the cash flow risk and the rate of return of the investment.
- 9.4 In accordance with Government guidance, the Council considers a property investment to be secure if its accounting valuation is at or higher than the purchase cost including taxes and transaction costs. The Council revalues investment property annually.
- 9.5 If the fair value assessment of property values are at or above the purchase cost, the underlying asset provides security for the capital investment. Should the valuation be lower than the purchase cost, the Council will report this in the Treasury Management Strategy, along with the consequences of the loss on security of investments and any revenue consequences arising.
- 9.6 Commercial property investment performance is reviewed regularly throughout the year and any developments are reported quarterly to the Corporate Property Board and annually to Cabinet.
- 9.7 The Council has also invested in the Churches, Charities 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 £15.000m in the property fund and the investment currently generates a return of approximately 4.5% per annum.
- 9.8 Due to the uncertainty surrounding the longer-term impact of Brexit, the property fund has seen a 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 a similar rate.
- 9.9 Any CCLA or such commercial investments that the Council investigates will only be undertaken after detailed and thorough due diligence and having regard to the Treasury Management principles of security of capital, liquidity, yield and ethical investments.
- 9.10 In order to support investment and commercial decisions the Council also relies upon the principles established in the Income Strategy which was recently refreshed and

approved at Cabinet on 16 December 2019. 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 is to ensure that all resources are deployed to support the achievement of the Council's 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 and its replacement the Local Investment Fund are included in the Capital Programme, currently at £0.746m over the financial years 2020/21 and 2021/22.

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 align with local, regional and national agendas.

### **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 the 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 2020/21 to 2024/25 Capital Programme.
- b) The appropriate decision-maker for any subsequent revisions to the Capital Programme.

10.2.2 The Budget Council will make the final decision on the overarching Capital Programme for 2020/21 to 2024/25 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). This is part of the 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 school stock.
- c) The Disabled Facilities Grant (DFG) is provided 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) and this is included within the pooled funding arrangements with Oldham CCG.
- d) The Council's ambition to deliver its Housing Strategy.
- e) Any resources allocated by Central Government after approval of the Council's 2020/21 – 2024/25 Capital Strategy/Capital Programme.

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

10.2.6 Grant funding allocations notified to the Council also include information regarding 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 the VA grant and diocesan resources.

### **10.3 Methods of funding capital expenditure**

10.3.1 There are a range of methods for funding capital expenditure. The methods that will be used by the Council are set out 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 consider financing 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. This will be especially important when undertaking property acquisition under the 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 Notification was received from HM Treasury on 9 October 2019 regarding future PWLB rates. Historically, PWLB rates had been priced on the current gilt rates plus 100 basis points (bps) (1%) however, with effect of the 9 October 2019 rates are now based on gilt rates plus 200 bps (2%). This resulted in an immediate increase in the cost of borrowing using PWLB loans. As a result of the increase in the rate, the Council is anticipating that various private sector financial institutions will enter the market or make current market products available to Local Authorities.
- 10.3.7 In September 2019 the Council applied for and received the PWLB Certainty Rate reduction. This entitles the Council to receive a 20 bps rate reduction on the prevailing rate of PWLB on any borrowing undertaken from 1 November 2019 to 31 October 2020. 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.

### **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 states “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 within 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; and
  - ii) All other disposals may be retained in full provided they are spent on affordable housing, regeneration or the paying of housing debt.
- 10.3.12 Such receipts have reduced substantially since the transfer of the housing stock to First Choice Homes Oldham (FCHO).
- Value Added Tax (VAT) Shelter
- 10.3.13 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 cease in 2024/25. FCHO retained all the benefits in the first four years and the savings thereafter have been split 50:50 with the

Council, although the first £6.000m was top sliced to deal with outstanding FCHO asbestos liabilities.

- 10.3.14 FCHO has provided an indicative notification of the release of resources from the VAT shelter for 2020/21 and this is being used to support the capital receipts requirement underpinning the Capital Programme.

#### Ringfencing of Capital Receipts

- 10.3.15 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.

- 10.3.16 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 2020/21 the first £3.750m of unallocated receipts will be used to support the revenue budget via the financing of transformational projects.

#### Flexible Use of Capital Receipts

- 10.3.17 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. As previously stated, the Council intends to utilise £3.750m of capital receipts to fund elements of Oldham's transformational agenda in line with the Directive guidance and therefore in 2020/21 the first £3.750m of unfettered receipts will be used to support the revenue budget via the financing of transformational projects.

- 10.3.18 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.

- 10.3.19 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

- 10.3.20 In considering the 2020/21 Capital Programme, and given the position with regard to capital receipts, a prudent approach has been taken with capital receipts assumed in accordance with an anticipated timeline for asset disposal. However as advised above, the Council anticipates utilising £3.750m under the Flexible Use of Capital Receipts Strategy in 2020/21 to support transformational projects.

10.3.21 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 expectations.

10.3.22 The Council's objective to rationalise the corporate estate (as highlighted in the Medium Term Property Strategy and the Creating a Better Place strategy), will lead to the marketing of increasing numbers of surplus assets. This 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. External expertise will be engaged to supplement in-house teams if required when rationalisation activity increases.

10.3.23 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.

10.3.24 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**

10.3.25 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**

10.3.26 Some of the assets used by the Council have previously been financed by a lease arrangement, for example vehicles. Leasing is considered as a viable option for consideration when financing options are being appraised. The increase in PWLB loan rate as mentioned at 10.3.6 may mean that leasing now offers better value for money when in recent years due to historically lower PWLB rates this might not have been the case.

#### **f) Section 106 Agreements**

10.3.27 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.

10.3.28 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 the provision of cycle lanes.
- iv) Public art.
- v) Renewable energy measures.
- vi) Specific measures to mitigate the impact on a local area, for example parking restrictions, landscaping or noise insulation.

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

#### **g) Community Infrastructure Levy**

10.3.30 The Council has the option to charge a Community Infrastructure Levy (CIL), a planning charge based on legislation that came into force on 6 April 2010. The Council has considered this but at this time there are no plans to progress the CIL. The position will be kept under review as work is taken forward in relation to the Greater Manchester Spatial Framework and the Council's own Local Plan.

#### **h) Private Finance Initiative (PFI)**

10.3.31 This was a means by which the Council facilitated 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.

10.3.32 In 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.

#### **i) UK Municipal Bonds Agency Plc**

10.3.33 During the course of 2019/20, the working and administration of UK Municipal Bonds Agency (UKMBA) has been significantly re-organised. The UKMBA is still owned by the Local Government Association (LGA), however the UKMBA is now managed by PFM, the largest independent financial advisory firm in the US that works solely for public sector clients. It has extensive experience in the US bonds market and has a wealth of experience of bringing bonds to market for public sector clients. PFM has amended the terms and conditions relating to the guarantees and penalties associated with issuing a



bond to align them with the requirements of the Local Government sector. The aim remains to provide Councils with a cost-effective source of long term borrowing and to introduce sector owned diversity into the Local Government lending market.

10.3.34 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. Following, the increase in PWLB rates in October 2019, the UKMBA has recently announced the issue of first bond in at competitive rates.

## **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 Responsible Officer (SRO) or Directorate Management Teams (DMTs). The SRO 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.

#### Gateway Review System

- 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 not 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 has embarked on an ambitious programme of transformation utilising the corporate estate as a key driver for change and delivering revenue budget reductions.
- 11.2.2 A further strategic review of the Council's operational land and property portfolio has been initiated to consider:
- a. The core office estate;
  - b. The operational asset base used for district-based service delivery; and
  - c. Land.
- 11.2.3 In previous financial years, 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. This process will now be reinvigorated.
- 11.2.4 Through the Creating a Better Place strategy, an Assets Accommodation and Investment Group will lead the work 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. This will align with the Government's One Public Estate (OPE) Programme and 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 the best fit for purpose and efficient usage is maximised. Work with NHS partners has been accelerated to support the health and social care integrated working agenda.
- 11.2.6 In taking forward the Creating a Better Place strategy, the disposal of land and property assets will be progressed with alignment to corporate objectives and incorporated into the asset rationalisation programme. The 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.
- 11.2.7 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 and have recently been revised in line with the recommendations of the Creating a Better Place strategy.
- 11.2.8 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 and the generation of an income stream through investment in property.
- 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, 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 GM 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 co-ordinated corporate approach to the strategic alignment of investments. The process has been modelled on the 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 from month 3, 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 Services. The lead Chief Officer for CIPB is the Deputy Chief Executive People and Place. The Leader of the Council and the Deputy Leader and Cabinet Member for Social Justice and Communities have a standing invitation to all meetings. The Board is supported by the Director of Finance, the Director of Economy, the Director of Education, Skills and Early Years and the External Funding Manager. The Board has a 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 2020/21 to 2024/25 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 Capital Strategy is split between two distinctive elements, the short to medium term and a longer-term vision. The short to medium term years 0 to 5 focus towards the delivery and implementation of a wide range of capital schemes covering priority capital schemes. At this stage, the management of potential risks in the acquisition or delivery of capital schemes is significant for the Council. It must be noted that within the short to medium term timeframes the Capital Programme may be amended with the introduction of urgent, high priority capital schemes. The programme will need to be flexible to ensure that it can incorporate schemes to meet the requirements or opportunities that arise. This stage also allows the Council to develop plans that contribute to the Council's immediate priority objectives such as the town centre vision, housing and boroughwide regeneration.

The Council incorporates Capital Programme expenditure and funding projections into the medium term cashflow forecasting which in turn feeds into the debt management strategy for the Council. Decisions on debt financing will be influenced by capital projections as well as forecast capital receipts. The Capital Programme and the implications of the programme for MRP and debt financing costs are incorporated into the revenue budget and Medium-Term Financial Strategy.

The breakdown of funding by project area is shown across the current programme to 2024/25 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 2025/26 to 2034/35.

### 1 Continuation Funding

There are requirements for the continued annual funding of existing programmes of work across the current five 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. Provision for such expenditure is included within the People and Place – Corporate Property service budget which has an allocation of £4.117m in 2020/21.

- 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. Provision is included within the People and Place – Corporate Property (Education Premises) budget.

## c) ICT Strategy

The strategy has been formulated through a pipeline which addresses delivering a customer focused service. The ICT Strategy has 4 identifiable themes set out below:

### 1) Delivering Resident Focused Services

This theme is about exploiting digital technologies to enable communities to help themselves. Through the best of digital, a digital access platform will be built that ensures self-help and self-serve is frictionless and easy-to-access and use. This will ensure a consistent experience, within which expectations are managed. A user and resident-led approach will be employed to ensure maximum benefits for all. Having made progress with the ICT Strategy, there will be a review of customer relationship management capability in the near term with a view to creating an enterprise service in line with the Digital Strategy.

### 2) Creating an Agile and Efficient Council

This theme calls for a balance between the adoption of new technologies and approaches whilst at the same time continuing to modernise and extract value from existing IT investments in line with the “re-use” design principle. Having moved to Hybrid Cloud state with investments to date, there will be investment in technologies that help the achievement of value from agile delivery methodologies and help staff and citizens get the most from digital enablement.

### 3) Harnessing the Power of Data

Having started to build out a cloud based Data Services Platform as part of the ICT Strategy, there will be a review of the Council’s approach to Data and Analytics and investment in strategic approaches to Data and Analytics that help unlock insights from the Council’s rich vein of data.

### 4) Strengthening Governance and Capability

As there is a constant improvement in digital technology there will also be a constant improvement in governance and capability to derive maximum value from this technology, and ensure it is reliable. This means new delivery methodologies, ways to engage with ICT and Cyber Security Defences and improving disaster resilience.

All new ICT Capital investment will have the technology design principles based on the principles below:

- **Simplicity:** Controlling technical diversity and minimising the number of technologies maintained. Encouraging investment in scaling strategic platforms.
- **Enable Digital Orchestration:** Architecture designed to enable machines to perform efficient, repeatable processes.
- **Design with the User:** The team is the unit of delivery, so an initiative will never be started based on a technology. A business change need is agreed and then roles to design and implement change.
- **Consider the Digital Ecosystem:** Architecture designed for the whole Borough and spanning much further than its boundary.
- **Security to Enable Business Success:** A risk-based approach to designing appropriate security protections.



Provision is included within the People and Place – Information Technology service budget which has funding available of £4.438m in 2020/21.

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. Provision is included within the Community Services and Adult Social Care- Social Care service budget.

e) Environmental Services

To support the purchase of environmental machinery, provision is included within the People and Place – Environment service budget. Funds for investment of £0.100m are available in 2020/21.

## 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 focused on;

- those that will be initiated and delivered in the 5 years of this strategy period (2020/21 to 2024/25); and
- those which will progress from 2025/26 to 2034/35 (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 (2020/21 to 2024/25)**

a) Social Care

The Council has extensive responsibilities to deliver an adequate standard of social care and also has an increased level of joint working with National Health Service partners. In addition to the continuation funding referred to above, the Council will maintain the utilisation of 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 per annum is available for such investment. Provision is included within the Community Services and Adult Social Care - Social Care service budget.

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 and also of very disabled children where medical advances have seen improvements in life expectancy. There are also increased requests for adaptations to FCHO properties.

For 2019/20, the Better Care Fund (BCF) capital allocation in the form of Disabled Facilities Grant (DFG) was £2.065m, 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 (it is important to note that grant is included within the Pooled Fund in

place between the Council and Oldham CCG). Where 2019/20 resources have not been utilised, they will be carried forward into 2020/21 (estimated at £1.000m). At present, there is no notification of funding allocations for 2020/21. There is however an anticipation that it will be of a similar amount, therefore an estimated of £2.000m has been included in the 2020/21 Capital Programme. Any funding received will be allocated using the same principles as were applied in 2019/20. Total provision of £3.000m is included within the Community Services and Adult Social Care - Disabled Facilities Grant service budget for 2020/21.

c) Oldham Green New Deal Strategy

The Council wishes to invest to support its pursuit of the green agenda and address carbon reduction requirements. In March 2019, the Greater Manchester five year Environment Plan was launched, which commits the city region to achieving 'carbon neutrality' by 2038. In July 2019, the Council announced its commitment to be the UK's first Green New Deal Council, with a target of carbon neutrality for the borough by 2030, and for the Council itself by 2025. Linked to this is the cross-GM Air Quality initiative which at a regional level will require investment.

During 2019/20, the Council has been exploring opportunities to install ground-mounted solar photovoltaic panels at the Council owned Wrigley Head, South Chadderton site in order to increase local renewable energy generation and increase the flexibility of local energy supply. This is part of its contribution towards Greater Manchester's regional carbon neutrality target as well as Oldham's own local targets for carbon neutrality and revenue generation / cost saving. This initial feasibility work is ongoing and external funding is being investigated to ensure the Council can generate a surplus across the project's lifecycle. Once the feasibility work is completed it will show whether the scheme is deliverable without any external funding. If the feasibility shows the scheme is viable, the current estimated timescales for implementation are that a Planning Application will be submitted by March 2020. If this is successful it is anticipated that the construction of the facility will commence around March 2021.

The Council will continue to examine various energy efficiency and renewable energy projects over the life of the Capital Programme and beyond as the Council aims to be carbon neutral by 2025.

Provision to take forward green new deal initiatives is included within the People and Place – Other Regeneration Priorities service budget.

d) 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 Medium Term Property Strategy/Creating a Better Place strategy encompasses the disposal of surplus sites to create capital receipts and create a revenue saving. The Capital Strategy 2020/25 includes an allocation of £2.000m to support this enabling work. It must be noted that the Capital Programme is reliant on the income generated from these sales in the form of capital receipts.

The £2.000m provision is included within the People and Place – Other Regeneration Priorities service budget.

e) 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 (see town centre regeneration below), 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 in line with the Government's agenda 'One Public Estate' which is seeking greater collaboration and co-operation across the public sector property estate to deliver financial savings and releasing assets to support residential development, a further Government priority.

Provision is included within the People and Place – Other Regeneration Priorities service budget.

In addition, the Council will review the provision of Health Care Centres across the borough and in particular for Saddleworth and Chadderton as part of the Capital Strategy for 2021/22 and future years.

f) School Investment

There continues to be pressure on primary and secondary places within areas of Oldham, with little capacity at several schools as the school population continues to increase. School capacity and improving 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.

The Council is aware that the Government could in the future introduce a range of grant funding opportunities for schools. There may also be 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.

Provision for new investment is included within the Children's Services – Schools (General, Primary, Secondary and Special) service budget.

g) GM Investment Fund Loans

In line with the approved 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.

No specific provision has been allowed but will be managed from within available resources as schemes are identified.

h) Medium Term Property Strategy (MTPS)/Creating a Better Place Strategy

The MTPS review has been undertaken in the context of obtaining approval for a new set of exciting plans for property led change, including town centre regeneration with a new 'homes' focus as set out in the recently approved Town Centre Vision, plans for new public service accommodation, closer working with the Oldham CCG and the One Public Estate initiative. It is also taking its direction from the new Housing

Strategy, and a desire to review and expand property investments to help secure revenue funding.

This refreshed strategy is linked to a rephased/amended savings/cost reduction target which will support the Medium Term Financial Strategy and will align to a property focus on reduced public sector accommodation enabling major housing and regenerative benefits to the Town Centre.

Set out below are the key schemes included within the Creating a Better Place strategy which encompasses the revised MTPS:

- 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 focusses 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). This is a fund to support external partners and the Council to self-develop housing in less viable areas. It would ensure developments are brought forward and support the delivery of the required number of new homes within the borough. Investment in building new homes is a priority at key town centre sites and sites around the Borough.
- Town Centre Regeneration – The Council is continuing to make a considerable investment in the town centre with plans which span over several years to complement the existing programme of works such the Oldham Museum and Archives (OMA) project. The long-term vision for the town centre is being developed and includes the strategic acquisition of properties, investment in building new homes and relocation/integration of public sector services. The Council is also committed to have a theatre / performance space within the Town Centre and plans will be developed over the life of the Capital Strategy. The Market Hall will see a transformation within the 2020/25 Capital Programme in support of the new vision for the Town Centre and the changing retail market within the UK. Investment provision is included within the People and Place – Town Centre Regeneration service budget.
- Borough-Wide Regeneration - The Council is investing in borough-wide regeneration initially via initiatives through housing and employment sites at Broadway Green, Hollinwood and Salmon Fields. All these sites are expected to advance further within the next five years. The Council will take advantage of suitable investment opportunities throughout Oldham in order to advance its regeneration objective. Investment provision is included within the People and Place – Other Regeneration Priorities service budget.

The table below presents the scale of the capital investment required in order to deliver the Creating a Better Place programme. In overall terms, investment will total £306m split between capital projects of £102m and investment projects of £204m. It is 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.

Priority Projects:	Capital Projects £000	Investment Projects (revenue return) £000
Regeneration: New Homes	70,000	87,000
Regeneration: Town Centre	32,000	71,000
Regeneration: Boroughwide Opportunities	-	46,000
<b>Total Capital Investment</b>	<b>102,000</b>	<b>204,000</b>
<b>Grand Total</b>	<b>£306,000</b>	

Other specific project areas included in the £306m planned spending are:

- 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. Investment provision is included within the People and Place – Town Centre Regeneration service budget.
- Corporate Estate – a holistic review of land and property assets whether Council owned or within the ownership of One Public Estate partners to ensure the Council:
  - delivers against ambitions for energy efficiency;
  - delivers against ambitions for public buildings to be carbon neutral by 2025;
  - ensures scrutiny of its own accommodation to ensure value for money and best utilisation for staff and services; and
  - has regard to the views of Ward Members / Portfolio holders.

i) Housing Initiatives (Funded by Housing Revenue Account resources)

There are several major approved housing capital projects that the Council wishes to implement over the medium to long term to support the delivery of the overall Housing Strategy. Approved capital projects that will specifically rely on use of HRA balances include:

- Princes Gate Site C - A key element of the vision for the Town Centre is the development of new affordable housing including development of this Prince's Gate site.
- Developing temporary accommodation to meet homelessness demands - There has been a significant increase 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 the Purchase and Repair and Lease and Repair pilot schemes 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 has enabled the development of 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 those in need. This accommodation will also assist with the 'move-on' options from those households in temporary accommodation by providing a suitable, longer term, settled abode.

- Future Housing Purchases – The Council has made provision to purchase additional housing which will be added to the Council's HRA stock and will provide a new social housing option for families within Oldham.

j) 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 related to transport, housing and economic regeneration.

No specific provision has been allowed for such investment but will be managed from within available resources as schemes are identified.

k) Matched Funding for Grant Bids

The Council is mindful 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.

Bids for grant funding that are currently being worked on are the Future High Streets Fund which has the potential to draw significant resources to Oldham to supplement existing programmes or enable new initiatives to be developed. In addition, Oldham is one of the 101 towns identified for support of up to £25m to develop a Town Deal via the Towns Fund Government grant funding initiative. Whilst both bids may require support from Council resources, they have the potential, if successful, to provide a major source of funds to enhance the impact of the Creating a Better Place strategy.

No specific provision has been allowed for matched funding but will be managed from within available resources as schemes are identified.

l) Northern Roots

This 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.

No specific provision has been allowed for Northern Roots but will be managed from within available resources as schemes are identified.

m) 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. The allocation that remains within the 2020/21 programme for the Royton Town Centre development is £2.793m. 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.

Provision is included within the People and Place – Royton Town Centre Developments service budget.

n) Transport Capital Programme

The Council secures capital funding for investment in the highway network from several different sources, including Central Government which allocates funding largely through the Greater Manchester Transport Strategy and Local Transport Plan (LTP). Most of this funding is within the transport Capital Programme, except where it forms an integral part of a regeneration project and is therefore within the Regeneration Capital Programme, such as the Growth Deal 2 grant of £0.800m, 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 timeframe 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 three year LTP programme.

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. The GMCA has distributed the LTP resource in line with the indicative Local Authority allocations calculated by the Department for Transport, including an Incentive Fund allocation and additional Integrated Transport Block resource;
- 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);
- Department for Transport's Safer Roads Fund award for the A670 Oldham – Tameside; and

- GM Mayor's Cycling and Walking Challenge Fund of £0.700m for delivery of tranche 1 schemes.

Securing additional grant funding for investment in the transport network and to support the regeneration of the borough is a Council priority. Further bidding opportunities that may or may not require a match funding contribution, include:

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

Provision for transport capital spending is included within the People and Place – Transport service budget.

#### Funding for Emerging Priorities

Whilst not a specific project as such, the Capital Programme does include an unallocated resource that 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.

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.

#### **Projects to be delivered over a further 10 years (2025/26 to 2034/35)**

The Council is implementing many new borough-wide strategies such as the Creating a Better Place strategy which encompasses the Town Centre Vision, refreshed MTPS and Housing Strategy. The Council has reviewed and developed these new strategies for meeting the investment need in the much longer term where there is considerable uncertainty and complexity. It has given consideration to:

- understanding economic, social and technological factors that drive regeneration and redevelopment initiatives.
- long term planning issues to deliver properties e.g. the Council's ambition to deliver new homes.
- the HRA business plan which seeks to identify over a long term time horizon the likely financial and housing need provision for the HRA.
- the joint strategic needs assessment for Adult and Social care.
- pupil planning data for future provision of school places.
- asset management planning for long-term property need and investment.

The Council therefore has a longer-term vision for capital spending outside the initial five year timeframe.

There is a clear link between long term planning for capital and for treasury management purposes. The Council's current debt portfolio contains loans that mature over the period up to 2079/80. The debt repayment profile will be managed alongside the longer-term expectations for capital expenditure and funding forecasting.



It is challenging to make accurate long-term forecasts. Those forecasts that are made can only be classed as best estimates and will be subject to amendment over time. However, long-term forecasting is valuable in informing strategic plans taking account of the sustainability and affordability of existing and planned investment, which will need to be repaid over future years. It is important that the funding arrangements and financial implications of major capital projects and investments that have been included within the updated strategies mentioned earlier, are understood and planned well in advance.

Most schemes included within the further than 10 year timeframe are the longer-term development of projects already within the initial 0 to 5-year timeline. However, each scheme will move through different phases with different objectives and expected outcomes. The schemes below have an implementation period of between 6 to 15 years covering the period 2025/26 to 2034/35.

a) Town Centre Vision

Sites at Princes Gate are being redesigned 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. Through the development partnerships and the Creating a Better Place strategy, further investment is required by the Council for larger regeneration at these sites and to generate revenue returns.

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 Housing Strategy was approved at the Council meeting of 10 July 2019. The Strategy's key objective has been to reset the housing delivery governance framework that can then begin to start to tackle the challenges identified in the evidence based Local Housing Needs Assessment. Clearly, addressing the housing requirements in the borough is a long term initiative. However, business cases will be developed during the current Capital Programme timeframe, to take forward specific initiatives that will then be delivered over an expected 5 year plus horizon.

## 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. Transport 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 Services. The Leader of the Council and the Deputy Leader and Cabinet Member for Social Justice and Communities have 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 Place.

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, Skills 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 from month 3 onwards.
- 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 capital 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 capital 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 capital 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 Services, 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 body within the Council (below Council level) that can recommend new 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 and Early Years chairs the Schools Capital Programme Board
- b) The Director of Legal Services
- c) The Director of Finance

- 7.2 In addition there is an External Funding Group, chaired by the Director of Finance. The terms of reference of this group are to be refreshed, however, the remit of this Group will remain the same and it will therefore:

- 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 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 whether locally or nationally.
- f) Ensure there are sufficient personnel to enable the Council to proactively react to funding opportunities as they arise.

## Capital Programme 2020/21 to 2024/25

Expenditure	2020/21 £000	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000
<b>Corporate Services</b>	<b>6,010</b>	-	-	-	-
Investment / Income Generation Opportunities	2,260	-	-	-	-
Flexible Use of Capital Receipts	3,750	-	-	-	-
<b>Children's Services</b>	<b>15,590</b>	<b>12,305</b>	<b>5,000</b>		
Children, Young People and Families	50	-	-	-	-
Schools - General	507	8,305	5,000	-	-
Schools - Primary	4,368	-	-	-	-
Schools - Secondary	9,985	4,000	-	-	-
Schools - Special	680	-	-	-	-
<b>Community Services and Adult Social Care</b>	<b>3,400</b>	<b>703</b>	<b>400</b>	<b>400</b>	<b>400</b>
Social Care	400	703	400	400	400
Disabled Facilities Grant	3,000	-	-	-	-
<b>People and Place</b>	<b>113,308</b>	<b>110,562</b>	<b>86,710</b>	<b>29,664</b>	<b>55,073</b>
Corporate Property	4,117	1,500	1,500	1,500	1,500
Environment	100	1,092	100	100	100
Information Technology	4,438	1,684	2,614	1,249	1,000
Neighbourhood Development Fund	178	-	-	-	-
Other Regeneration Priorities	15,657	14,522	33,522	8,500	47,500
Private Sector Housing	1,065	2,147	-	-	-
Royton Town Centre Development	2,793	-	-	-	-
Strategic Acquisitions	7,795	9,650	5,050	1,300	3,000
Town Centre Regeneration	63,947	69,189	41,649	15,000	-
Transport including Fleet	13,218	10,778	2,275	2,015	1,973
<b>Housing Revenue Account</b>	<b>5,538</b>	<b>3,922</b>	<b>6,200</b>	<b>7,735</b>	-
Housing Revenue Account	5,538	3,922	6,200	7,735	-
<b>Reform</b>	<b>346</b>	<b>400</b>	-	-	-
District Investment Fund/Local Investment Fund	346	400	-	-	-
<b>Capital General</b>	<b>3,440</b>	<b>3,575</b>	<b>4,200</b>	<b>3,200</b>	<b>1,500</b>
Funding for Emerging Priorities	3,440	3,575	4,200	3,200	1,500
<b>Budget Expenditure Total</b>	<b>147,632</b>	<b>131,467</b>	<b>102,510</b>	<b>40,999</b>	<b>56,973</b>

(subject to rounding – tolerance +/- £1k)

<b>Resources Available</b>	<b>2020/21 £000</b>	<b>2021/22 £000</b>	<b>2022/23 £000</b>	<b>2023/24 £000</b>	<b>2024/25 £000</b>
<b>Ringfenced Grants</b>	<b>(11,209)</b>	<b>(2,397)</b>	<b>(1,250)</b>	<b>-</b>	<b>-</b>
2016-21 Shared Ownership and Affordable Homes Programme (SOAHP)	-	-	(1,250)	-	-
Devolved Formula Capital (DFC)	(596)	-	-	-	-
Growth Deal 3	(5,563)	-	-	-	-
Heritage Lottery	(1,940)	(250)	-	-	-
Housing Infrastructure Fund - (HCA)	(800)	(2,147)	-	-	-
Local Full Fibre Network (LFFN) (Wave 2)	(383)				
Local Growth and Reform 2 Grant	(369)	-	-	-	-
Mayor's Cycling and Walking Challenge Fund	(591)	-	-	-	-
Pothole Grant	(270)	-	-	-	-
Safer Roads Fund	(400)	-	-	-	-
Special Provision Fund - Pupils with Special Educational Needs (SEN) And Disabilities 2018-2021	(297)	-	-	-	-
<b>Un-ringfenced Grants</b>	<b>(22,504)</b>	<b>(14,258)</b>	<b>(3,202)</b>	<b>(1,973)</b>	<b>(1,973)</b>
Basic Need Capital Grant	(12,021)	(12,285)	(1,229)	-	-
Better Care Fund (Disabled Facilities Grant) 2019/20	(1,000)	-	-	-	-
Better Care Fund (Disabled Facilities Grant) 2020/21	(2,000)	-	-	-	-
Capital Maintenance Grant	(457)	-	-	-	-
School Condition Allocation	(2,800)	-	-	-	-
Local Transport Programme - Highway Maintenance Grant	(4,208)	(1,973)	(1,973)	(1,973)	(1,973)
<b>Other resources – Capital Receipts</b>	<b>(9,306)</b>	<b>(7,855)</b>	<b>(7,352)</b>	<b>(3,949)</b>	<b>-</b>
Agreed Council Resources	(5,556)	(7,855)	(7,352)	(3,949)	-
Flexible Use of Capital Receipts	(3,750)	-	-	-	-
<b>Other resources - Other</b>	<b>(5)</b>	<b>(3,935)</b>	<b>-</b>	<b>-</b>	<b>-</b>
Contribution from 3rd Parties	(5)	(3,935)	-	-	-
<b>Other resources - Prudential Borrowing</b>	<b>(99,070)</b>	<b>(99,100)</b>	<b>(84,506)</b>	<b>(27,342)</b>	<b>(55,000)</b>
Prudential Borrowing	(69,070)	(52,100)	(50,506)	(9,342)	(8,000)
Prudential Borrowing – Financed by Income	(30,000)	(47,000)	(34,000)	(18,000)	(47,000)
<b>Revenue Contribution - Housing Revenue Account (HRA)</b>	<b>(5,538)</b>	<b>(3,922)</b>	<b>(6,200)</b>	<b>(7,735)</b>	<b>-</b>
Revenue Contribution to Capital Outlay - HRA	(5,538)	(3,922)	(6,200)	(7,735)	-
<b>Resources Total</b>	<b>(147,632)</b>	<b>(131,467)</b>	<b>(102,510)</b>	<b>(40,999)</b>	<b>(56,973)</b>

(subject to rounding – tolerance +/- £1k)

## 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 financial year 2020/21.

The Council can only use capital receipts to finance Qualifying Expenditure as defined in this strategy (see Table 1) 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 2020 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 2020/21 to 2024/25 includes £3.750m in capital receipts specifically for this purpose. The first call on new capital receipts received in 2020/21 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 £3.750m will fund the following transformational projects/expenditure as set out in Table 1 (note there is an element of contingency to allow for variation).

**Table 1 – Planned qualifying expenditure**

<b>Scheme Description</b>	<b>Qualifying Expenditure</b>	<b>£000 2020/21</b>
Assets, Accommodation and Investments workstream expanded from the Locality Asset review to rationalise the Council's corporate assets and investment estate to maximise efficiencies and to drive forward integrated working across the public sector	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	1,000
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	20
Digital approach - using specialists within ICT 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	376
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	263
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
Professional services supporting the delivery of the organisation's range of transformational projects	Professional service advice, support and guidance to service reconfiguration, restructuring and transformation across a range of service areas	699
Transformation Agenda	A specialist team to wholly support and facilitate the delivery of the Council's Transformational Programme to meet efficiencies and savings anticipated in the Medium Term Financial Strategy which includes the Green New Deal and the Place-Based Model	1,342
<b>Total</b>		<b>4,000</b>
<b>Contingency for variation</b>		<b>(250)</b>
<b>Flexible Use of Capital Receipts Relied on to support the revenue budget</b>		<b>3,750</b>

The current forecast of revenue savings is 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. This aligns to the indicative estimates included within the Medium Term Financial Strategy 2020/21 to 2024/25.

**Table 2 – Forecast revenue savings generated**

<b>Transformation Scheme Description</b>	<b>2020/21 £000</b>	<b>2021/22 £000</b>	<b>2022/23 £000</b>	<b>2023/24 £000</b>	<b>2024/25 £000</b>	<b>Total £000</b>
Assets, Investment Programme and Inward Investment	(261)	(1,384)	(2,141)	(5,925)	0	(9,711)
Digital by Design	0	0	(500)	(500)	(500)	(1,500)
Design & Assurance	0	(250)	0	0	0	(250)
Green New Deal	0	0	0	(200)	(300)	(500)
Place-Based Model	0	0	(100)	(200)	(300)	(600)
Health & Social Care Integration	0	(100)	(200)	(300)	(450)	(1,050)
<b>Total</b>	<b>(261)</b>	<b>(1,734)</b>	<b>(2,941)</b>	<b>(7,125)</b>	<b>(1,550)</b>	<b>(13,611)</b>

### **Forecast service transformation**

The Revenue Budget for 2020/21 includes significant investment in transformational activity across a number of services. The justification for this investment is the delivery of long-term efficiencies and improved service delivery as shown in Table 2. Below is a summary of the key forecast revenue savings areas.

#### **Assets, Investment Programme and Inward Investment**

Corporate land and property assets are essential to the delivery of the Council's priorities which will be set out in the forthcoming Corporate Plan. As part of the Creating a Better Place strategy approved by Cabinet on 16 December 2019 and 27 January 2020, the previously approved Medium-Term Property Strategy (MTPS) has been reviewed to meet the scale of the change required. At a strategic level, the review has confirmed that the Council's property portfolio can be a catalyst for building new homes, creating job opportunities, re-skilling residents through new apprenticeship opportunities, and re-engaging communities and partners through property / estate co-location and collaboration.

The 2019/20 budget included a budget reduction proposal of £0.500m arising from property and accommodation reviews. This is being delivered in 2019/20, but anticipated savings of £4.000m originally profiled equally over 2020/21 and 2021/22 have been rephased within the Assets, Investment Programme and Inward Investment transformation scheme.

Developing the existing programme of work on the use of property and assets the Council will maximise the benefit from the corporate estate by developing property disposal and procurement routes that will ensure the Council is able to shape and maintain a property portfolio that will support service delivery and contribute a sustainable income stream.

In addition, the Council will rationalise its office accommodation. Where possible, the Council will co-locate staff with partners to maximise efficiencies and realise the potential of 'One Public Estate' for Oldham and Greater Manchester. It will also drive forward integrated working across the public sector, building on the achievements made with Oldham Cares partners. The planned profile of savings begins modestly in 2020/21 with £0.261m and increasing to £5.925m by 2023/24.

## **Digital by Design**

The opportunity to utilise the advantages provided by new technology is the foundation upon which much of the Council's change agenda will be driven including integrated working arising from health and social care devolution. The Council's IT strategy is determining the direction of travel and is supported by £10.985m of Capital Programme investment. This investment will enable new and more efficient ways of working and will improve citizens' access to Council services. It also improves the business intelligence supporting service delivery decisions.

A key strand of this investment is the Digital Oldham Ambition which is to inclusively deliver a connected Oldham for everyone across place, communities, services, teams and leadership.

The reduction in costs associated with providing digital access, self-service, automation and more efficient ways of working are expected in line with the rephased 2020/21 budget reduction proposal at a value of £0.500m in each of 2022/23, 2023/24 and 2024/25.

## **Design and Assurance**

The review of Design and Assurance budget reduction was expected to deliver a £0.250m in 2020/21. The budget reduction will deliver in full in 2021/22 linked to the phased introduction of new operating arrangements around the Strategy and Performance team, Communications and Transformation Programme Management Office.

## **Green New Deal**

The Council, in July 2019, announced its commitment to be the UK's first Green New Deal Council with a carbon neutrality for the borough by 2030, and for the Council itself by 2025. Options such as increasing the flexibility of the local energy supply and increasing the local renewable energy generation by installing solar photovoltaic panels are currently being explored by the Council. However, whilst it is anticipated that budget reductions will be realised, it is accepted that these will take time to develop and as such, these budget reductions are not expected to materialise until 2023/24.

## **Place-Based Model**

Place-Based Integration is not new to the borough of Oldham however, work to date has not developed at the required scale to achieve fully integrated public services across all providers. To facilitate the integration of public services, the Council intends to align the geographical footprints of Council Districts with that of key public services including Primary Care Networks, Neighbourhoods police beats and housing management areas.

Whilst it is important to note that the place-based model will align with other transformational activities, it is expected that additional savings will be realised from 2022/23.

## **Health and Social Care Integration**

Linked to the Assets and Investment Programme above, good progress continues to be made with regard to Health & Social Care integration. Oldham Council and Oldham CCG are working under a joint leadership structure and together with other health partners continue to operate as Oldham Cares. There are ambitious plans for the improvement of the delivery of Health and Social Care with structure implementation arrangements and this aims to ensure the future financial sustainability of the local health and social care economy.

Activities will be undertaken to move forward joint commissioning of contracts and to drive efficiencies from contract maintenance and also the Community Enablement programme. This will focus on delivering new approaches to intermediate care, reablement and related community-based services.

It is inevitable that change of the magnitude envisaged will take time to be developed, therefore, the savings indicated in Table 2 are indicative however, this is a key strand for development over the life of the Medium Term Financial Strategy and potential savings are expected from 2021/22 and beyond.

### **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 £3.750m.
- Capital Financing Requirement increased by £3.750m as these capital receipts would have been used to support schemes within the existing programme that will now be financed through prudential borrowing.
- Financing costs as a percentage (%) of net revenue stream 14.02%.

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.