

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

Capital Strategy and Capital Programme 2021/22 to 2025/26

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Reason for Decision

To set out the Capital Strategy for 2021/22 to 2025/26 and thereby the proposed 2021/22 capital programme, including identified capital investment priorities, together with the indicative capital programme for 2022/23 to 2025/26, having regard to the resources available over the life of the programme.

Executive Summary

The Capital Strategy

The Council's Capital Strategy and capital programme are set over a five year timeframe. The proposed Capital Strategy and programme for 2021/22 to 2025/26 takes the essential elements of the 2020/25 and previous years' strategies and programmes and moves them forward in the context of the financial and political environment for 2021/22.

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 2026/27 to 2035/36.

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

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

1. Aims of the Capital Strategy and its links to the Council's Corporate Plan / COVID-19 Recovery Strategy, Creating a Better Place Strategy, Medium Term Property Strategy, Housing Strategy and Budget and Policy Framework
2. The Principles of the Capital Strategy
3. Priority Areas for Investment
4. Supporting Greater Manchester Devolution and Accessing National Infrastructure Strategy Resources
5. Affordability, Delivery and Risk Associated with the Capital Strategy
6. Knowledge and Skills
7. Treasury Management
8. Long Term Loans
9. Other Non-Treasury Investments
10. Capital Resources to Support Capital Expenditure
11. Capital Investment and Disposal Appraisal
12. The Prioritisation of Capital Requirements
13. The Procurement of Capital Projects
14. The Measurement of the Performance of the Capital Programme
15. The Capital Investment Programme Board

The Strategy incorporates the refreshed and updated elements of the Creating a Better Place Strategy, the Medium-Term Property Strategy and Housing Strategy. Following a review of the Capital Programme, as a result of the unprecedented economic circumstances due to the impact of the COVID-19 pandemic and the revised terms for PWLB borrowing, the principles established to complement the Capital Strategy as contained in the Commercial Property Investment Strategy and Fund and the Income Generation Strategy have been removed from the Capital Programme.

The Capital Strategy section (section 1) highlights the impact of COVID-19 and the way this has shaped capital spending plans for 2021/22 and future years. During 2020/21, the COVID-19 pandemic has had a major impact on the borough, its residents and the economy. The financial year 2021/22 will begin, at least, with a COVID-19 influence, however, it is expected, now that several vaccines are available, that normal activities

will be resumed and the Councils capital spending plans which have inevitably been interrupted in 2020/21, can get back on track during 2021.

The pandemic has presented significant challenges for the feasibility, design and delivery of capital projects. As well as practical issues associated with maintaining safe working arrangements, supply chains and similar issues, it has been necessary to revisit significant elements of the strategy to ensure the priorities for capital investment remain appropriate in the context not only of the Council's challenging financial position but having regard to the potential longer-term impact of pandemic on the economy and the potential for behavioural changes in work and transport needs as well as retail and leisure pursuits.

In preparing the Capital Strategy for 2021/22, it was important to consider publication by HM Treasury in March 2020 of a consultation document seeking views on proposed changes to the lending terms of the Public Works Loan Board (PWLB). The Government launched the consultation as it was concerned that PWLB resources were being used to fund commercial investments solely for income generation purposes and carried a significant degree of risk.

Alongside the 2020 Spending Review in November 2020, the Government largely confirmed the proposals set out in the original consultation meaning there would be stricter conditions associated with the approval of PWLB loans to Local Authorities. The PWLB will now no longer provide loans to a Local Authority if their Capital Strategies include any plans to buy investment assets primarily for income generation. These new terms apply to all loans arranged on or after 26 November 2020. This Capital Strategy has been prepared to ensure that the Council is able to access PWLB funds despite the significant change to the lending criteria.

The National Infrastructure Strategy (NIS) published alongside the Chancellor's 2020 Spending Review contained a range of Government capital spending announcements. The announcements contained little specific detail, and in some cases represented initiatives previously announced, however the NIS sets out a considerable investment intention focussed on:

- Boosting growth and productivity across the whole of the UK;
- Driving recovery and rebuilding the economy;
- Levelling up between regional areas and strengthening the Union;
- Putting the UK on the path to meeting its net zero emissions target by 2050 by decarbonising the economy and adapting to climate change;
- Supporting private investment in infrastructure; and
- Accelerating and improving the delivery of infrastructure projects.

The Council will aim to access the maximum level of NIS resources to support projects in Oldham and the wider Greater Manchester region, working with the Greater Manchester Combined Authority (GMCA) and other GM Authorities as necessary

Annex C of Appendix 1 sets out the proposed capital expenditure and financing for the period covered by the Capital Strategy, 2021/22 to 2025/26.

The Strategy also advises that the Council is proposing to continue the use the flexibility provided by the Ministry of Housing, Communities and Local Government (MHCLG) to use capital receipts to fund the revenue cost of transformation. The 2021/22 revenue budget will rely on up to £2.000m of such funding from capital receipts. Annex D sets out the required Flexible Use of Capital Receipts Strategy which advises of the summary of planned receipts, use and savings.

Capital Programme 2020/21 to 2024/25

The 2020/21 month 8 capital monitoring position is elsewhere on the agenda and the projections included in that report are a key determinant of the 2021/22 programme. As many schemes span more than one year, the anticipated level of reprofiling between years sets the underlying position.

The projected outturn spending position for 2020/21 is £81.013m. The People and Place Directorate which manages all of the major regeneration projects, constitutes the main area of expenditure. Grants and Other Contributions (£20.150m) followed by Prudential Borrowing provide the main source of financing (£53.553m).

Actual expenditure to 30 November 2020 was £50.566m (62.24% of forecast outturn). This spending profile is in line with that in previous years, however the position will be kept under review and budgets will continue to be managed in accordance with forecasts.

Capital Programme 2021/22 to 2025/26

The Council has set out its capital programme for the period 2021/22 to 2025/26 based on the principles of the Capital Strategy. The Capital Programme and Capital Strategy have been influenced by the level of resources considered available. The level of prudential borrowing included reflects the financing available in the revenue budget, capital receipts align with forecasts and grant funding and other contributions are based on already notified allocations or best estimates at time of preparation. If additional resources become available, projects that meet the Council's strategic capital objectives will be brought forward for approval.

Due to the impact of the COVID-19 pandemic on a number of schemes, over the summer months the capital programme for 2020/21 was significantly re-phased. On 24 August 2020, Cabinet approved a revised vision and strategic framework for 'Creating a Better Place' which has associated with it a significant level of investment. The revised vision places more emphasis on economic recovery and accelerating the potential for generating revenue budget savings. The report was the culmination of a fundamental review of the programme which commenced in April 2020 close to the start of the pandemic. Following the review and in anticipation of the PWLB consultation outcome the Creating a Better Place Strategy was reduced by approximately £90.000m.

As at the month 8 capital monitoring position, the anticipated expenditure over the five year life of the 2020/21 to 2024/25 strategy was £404.630m, taking 2020/21 aside (£81.013m) leaves £323.617m for the remainder of the approved 2021/22-2024/25 capital programme. Following the refresh of existing strategies including Creating a Better Place, and moving forward the planning period by one year, the Capital Strategy for 2021/22 to 2025/26 totals £340.289m.

The capital programme includes proposed expenditure for 2021/22 of £84.099m, with the largest area of expenditure being on regeneration, schools, transport and infrastructure projects within People and Place Directorate. Total expenditure increases to £94.765m in 2022/23, then decreases to £71.418m, £62.553m and £27.454m in 2023/24, 2024/25 and 2025/26 respectively.

Resources Available to Support the Capital Programme

The Government is continuing to provide significant levels of grant funding. The main sources of grant income are the Highway Maintenance Grant at £12.204m, along with Education-related Basic Need Capital grant provision of £10.677m over the life of the programme. There are also considerable resources allocated to the Council via the GMCA including the Mayors Cycling and Walking Challenge Fund (£11.273m in 2021/22).

The grant funding provided by Government can be split into two categories: un-ringfenced and ringfenced resources, as explained in Section 10 of the Capital Strategy. The majority of capital Government Grant funding is un-ringfenced. Resources classified as ringfenced have to be utilised to finance particular categories of expenditure and therefore are restricted in their use. The 2021/22 capital programme relies on £11.793m of un-ringfenced and £21.973m of ringfenced grants.

As in previous years, a major source of financing remains prudential borrowing. The amount required in 2021/22 (£42.871m) includes borrowing attributed to schemes that have slipped from prior years as well as new borrowing associated with the regeneration programme. The timing of the borrowing is linked to the cash position of the Council and may therefore not mirror the spending/financing profile set out above.

On-going Review of the Capital Programme

There will be a continued review of capital spending requirements as the Council has further regeneration ambitions, but affordability and deliverability will be a key consideration in this regard. It is, however, possible that the capital position may change prior to the start of 2021/22 and during the year as:

- There may be further Government funding allocations announced prior to the start of 2021/22 including those related to the Towns Fund.
- The outcome of specific grant bids which will be announced during 2021/22.
- It is also likely that there will be new initiatives announced later in the financial year.
- There may also be the opportunity to bid for additional funding.
- The Council may identify other funding sources, including capital receipts, to finance additional capital expenditure.

Therefore, the overall capital programme position will be kept under review and any new information regarding funding allocations will be presented to Members in future reports.

Consultation

There has been consultation on the proposed Capital Strategy and Capital Programme for 2021/22 to 2025/26 with the Members of the Capital Investment Programme Board. Presentation of the Capital Strategy report to the Overview & Scrutiny Performance and Value for Money is a key element of the consultation process. Having had regard to and comments from the Select Committee, the report will be presented for final approval to Cabinet and Council.

Recommendations

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

- i) The Capital Strategy for 2021/22 to 2025/26 at Appendix 1 of this report and summarised at section 2.1.
- ii) The capital programme for 2021/22 and indicative programmes for 2022/23 to 2025/26 at Annex C of Appendix 1 and summarised at sections 2.2 to 2.6 of this report.
- iii) The Flexible Use of Capital Receipts Strategy as presented at Annex D of Appendix 1.

Overview and Scrutiny Performance and Value for Money Select Committee
28 January 2021

Capital Strategy and Capital Programme 2021/22 to 2025/26

1. Background

- 1.1 In accordance with good practice, the Council has traditionally prepared a Capital Strategy, the overarching aim of which is to provide a framework within which the Council's capital investment plans will be delivered. This Capital Strategy for 2021/22 to 2025/26 has been prepared to cover an initial five year time-frame. Recognising that there is some uncertainty, especially in relation to funding in later years, the Strategy therefore focuses on 2021/22 and 2022/23 in detail.
- 1.2 The Strategy does however include a longer term vision, which also covers the time frame for 10 years from 2026/27 to 2035/36. 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 CIPFA. The strategy therefore presents:
 - A high-level long-term overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services;
 - An overview of strategic policy objectives, governance procedures and how associated risks are managed;
 - The implications for future financial sustainability.
- 1.4 This report therefore summarises the key elements of the Capital Strategy which are outlined in more detail at Appendix 1.
- 1.5 The report also presents the proposed 2021/22 to 2025/26 capital spending plans of the Council. This taken together with an update on spending in 2020/21, has a significant influence over the profiling of expenditure into future years.
- 1.6 The proposed Capital Strategy and Capital Programme for 2021/22 to 2025/26 therefore takes the essential elements of previous Capital Strategies and programmes and moves them forward in the context of the financial, economic and political environment for 2021/22 onwards. The Capital Strategy is attached at Appendix 1, with the capital programme, which reflects the principles of the Strategy, attached at Annex C of Appendix 1.

2 Current Position

2.1 Capital Strategy 2021/22 to 2025/26

2.1.1 The overarching aim of the Oldham Capital Strategy is to provide a framework within which the Council's capital investment plans will be delivered over a five-year timeframe, 2021/22 to 2025/26, but as advised above, the format and content of the Capital Strategy reflects the latest guidance issued by CIPFA as part of the Prudential and Treasury Management Codes. The strategy also takes account of amendments to Public Works Loan Board (PWLB) Lending Criteria which states that the PWLB will now no longer provide loans to a Local Authority if their Capital Strategies include any plans to buy investment assets primarily for income generation. The Strategy also has reference to the impact of the COVID-19 pandemic on the schemes within the programme.

2.1.2 The Capital Strategy and spending plans of the Council are driven by the ethos of the Cooperative Council and Corporate Plan. Work to refresh the Corporate Plan was due to be completed by summer 2020. However, the impact of the COVID-19 pandemic meant that this was no longer possible. Instead, the Council is developing a COVID-19 Recovery Strategy which will act as an interim Corporate Plan until at least 2022. The timescale for finalising the revised plan is currently spring 2021.

Creating a Better Place Strategy

2.1.3 This strategy sets out a comprehensive vision and strategic framework for the borough, which includes the Oldham Town Centre Vision, the Housing Strategy, and utilisation of the Council's corporate estate (land and property) to support development and open space requirements across the borough. The original strategy was approved by Cabinet across two reports in December 2019 and January 2020.

2.1.4 In light of the pandemic, the Council has had to respond with the provision of significant funding support to ensure the safety and welfare of Oldham's local communities. In addition, the national policy landscape changed significantly when HM Treasury set out proposals for revising PWLB lending terms to discourage commercial investment solely for income generation purposes. Therefore, it was appropriate that the programme was reviewed to ensure that priorities were correct and that the projects supported economic recovery (post-COVID). Cabinet approved a revised vision for Creating a Better Place on 24 August 2020. The revised strategy still includes creating 2,400 (previously 2,000) new homes, 1,000 new jobs and 100+ new apprenticeships.

2.1.5 Key schemes within the Creating a Better Place Strategy include:

- Schools – A range of new build and school expansion schemes to ensure there are sufficient school places for the borough's children. Schemes include the provision of a new secondary school at Saddleworth and the expansion of North Chadderton school. The Creating a Better Place Strategy now encompasses schemes financed through Education Basic Need grant.
- 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 remains the provision 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 will 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 continues to deliver considerable investment in the town centre with the recent acquisition of the Spindles and Town Square Shopping Centres. Plans are being created to redevelop the centre so it is not focused solely on retail. The centre's redevelopment will also release other town centre sites for repurposing including the provision of housing and additional green space. It will also help reduce corporate landlord costs and backlog maintenance liabilities which are reflected in the Council's revenue budget savings proposals.
 - 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 development opportunities throughout Oldham in order to advance its regeneration objective.
- 2.1.6 The Creating a Better Place programme incorporates £287.857m of schemes with £37.391m included within the 2020/21 programme and a further £250.466m over the period 2021/22 to 2025/26. The Creating a Better Place programme includes schemes in Children's Services, People and Place and Housing Revenue Account within the Capital Programme. The revised programme is forecast to achieve cumulative revenue savings of £8.2m per annum which are reflected in the Council's proposed revenue budget and medium term financial strategy. These savings largely rely on the completion of capital schemes which can take time to deliver meaning their realisation will occur in 2022/23 and 2023/24.
- 2.1.7 It is also hoped that the ambition set out within the Creating a Better Place Strategy will be supported with significant grant support from the Towns Fund and the Future High Streets Fund. At the time of preparing this strategy, the Council is still awaiting the outcome of a bid for resources from the Towns Fund but has been provisionally awarded £10.750m from the Future High Streets Fund. The funding awarded is £4.8m lower than the original bid meaning the Council will now engage with MHCLG to determine how to prioritise and allocate this provisional funding.

Supporting Strategies

- 2.1.8 Complementing the Creating a Better Place strategy is the Medium-Term Property Strategy (MTPS) review and the Housing Strategy for Oldham (approved by Cabinet in July 2019).
- 2.1.9 The MTPS and its implementation is key to the Council achieving both cost savings and a more efficient use of the corporate estate, contributing to the delivery of revenue budget savings and a reduced requirement for backlog maintenance as well as informing the development of an asset disposals programme to reduce Council holdings of surplus assets and generate additional capital receipts. In addition to Creating a Better Place, the MTPS is at the centre of numerous interdependencies including the One Public Estate Programme and Place-Based Working centred around providing services from five districts / hubs within the borough.
- 2.1.10 The Housing Strategy was developed in line with the Oldham Plan, the GM Spatial Framework and the GM Housing Strategy. The strategy recognises the function that housing plays in supporting health and social care integration and wider public sector reform. A key objective of the housing strategy has been to reset the housing delivery framework that can start to tackle the challenges identified in the evidence based Local Housing Needs Assessment and help meet the housing priority identified over the short, medium and long term.

The Principles of the Capital Strategy

2.1.11 The Capital Strategy has 16 principles outlined in Appendix 1 Section 2. These have been adjusted to take account of the revised PWLB lending criteria to ensure the Council is able to access PWLB resource financing with regard to the new lending terms. The remaining principles are largely unchanged from previous years and emphasise the role of the Capital Investment Programme Board (CIPB) in leading the strategic direction for capital investment with the Terms of Reference of the CIPB included at Annex B of the Appendix 1. The principles include:

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

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

Priority Areas for Investment

2.1.13 Section 3 of Appendix 1 advises of the priority investment areas identified for the 2021/22 to 2025/26 period that will be taken forward subject to the availability of resources and the approval of a full business case.

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

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

2.1.15 However, following the outcome of the review of the Capital Strategy 2021/22 to 2025/26, expenditure for the financial year 2025/26 has not been allocated to the programme. For the above schemes, it is deemed that there is sufficient unallocated resource to meet existing needs. The principle for continued funding on the above schemes still remains and will be revisited as part of the 2022/23 Capital Strategy.

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

- a) Social Care
- b) Better Care Fund (Disabled Facilities Grant)
- c) Green Initiatives and Decarbonisation
- d) Surplus Sites
- e) Working with NHS Partners
- f) School Investment
- g) GM Investment Fund Loans
- h) Creating a Better Place Strategy including COVID-19 Recovery
- i) Medium Term Property Strategy
- j) Development of Housing Initiatives
- k) GM Devolution and Related Initiatives
- l) Matched Funding for Grant Bids
- m) Northern Roots
- n) Royton Town Centre Development
- o) Transport Capital Programme

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

2.1.18 The Strategy does however include a longer term vision, a forward look at those projects that are likely to run beyond the five year strategy and programme period or be initiated subsequently. This covers a timeframe for the 10 years from 2026/27 to 2035/36.

Supporting Greater Manchester Devolution and Accessing National Infrastructure Strategy Resources

2.1.19 Section 4 of Appendix 1 advises that Oldham and Greater Manchester have encountered unprecedented times through the COVID-19 crisis. However, the Greater Manchester Strategy remains the key policy document that will shape the future of Greater Manchester. A refresh of this document is planned for 2021. The Council will strive through its capital programme, to continue to support devolution activities.

2.1.20 The National Infrastructure Strategy (NIS) published alongside the Chancellor's 2020 Spending Review contained a range of Government capital spending announcements. The announcements contained little specific detail, and in some cases represented initiative previously announced, however the NIS sets out a considerable investment intention focussed on:

- Boosting growth and productivity across the whole of the UK;
- Driving recovery and rebuilding the economy;
- Levelling up between regional areas and strengthening the Union;
- Putting the UK on the path to meeting its net zero emissions target by 2050 by decarbonising the economy and adapting to climate change;
- Supporting private investment in infrastructure; and
- Accelerating and improving the delivery of infrastructure projects.

- 2.1.21 The Council will aim to access the maximum level of NIS resources to support projects in Oldham and the wider Greater Manchester region, working with the Greater Manchester Combined Authority (GMCA) and other GM Authorities as necessary

Affordability, Delivery and Risk Associated with the Capital Schemes

- 2.1.22 In accordance with the requirements of the Prudential and Treasury Management Codes the Council must state how the Council will ensure that its capital spending plans are affordable, how projects will be delivered and how risks associated with the capital programme are managed. This is outlined at Section 5 of Appendix 1. Included within this section is the concept of Proportionality, which demonstrates the Council has minimal exposure from income generating assets that supports the Council's net revenue budget.

Knowledge and Skills

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

Treasury Management

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

Long Term Loans

- 2.1.25 Section 8 of Appendix 1 advises that the Council has the ability, should it choose to exercise its powers, to enter into loan arrangements to support delivery of strategic corporate priorities. It also advises that the Council has chosen to make some but limited use of its ability to enter into loan arrangements. During 2020/21, the Council has given a long-term loan to a strategic stakeholder partner that will generate a sustainable income source for the next 40 years. It also aligns to the Council's corporate priorities and the wider economic development of the GM area. Members can be assured that there is strong governance in place to ensure robust due diligence and decision making.

Other Non-Treasury Investments

- 2.1.26 Section 9 of Appendix 1 advises that the Corporate Property Investment Strategy (CPIS) (approved December 2019) is now inconsistent with revised PWLB lending criteria. The PWLB will now no longer provide loans to a Local Authority if their Capital Strategies include any plans to buy investment assets primarily for income generation. The Council's capital spending plans are no longer underpinned by CPIS. Members are also advised that the Council has Treasury Management investments that generate a return from a property fund. However, Members can have confidence that these treasury management investments are only undertaken after an appropriate due diligence exercise, they have regard to the Prudential and Treasury Management codes and are included within the annual Treasury Management Strategy which is approved at the Budget Council.

Capital Resources to Support Capital Expenditure

- 2.1.27 Section 10 of Appendix 1 sets out the range of resources that the Council will rely on to support capital spending. In addition to prudential borrowing and Government grants, which together are the main financing source for the capital programme, the Council will, depending on the circumstances, consider using a range of resources and opportunities to finance capital expenditure and will continue to monitor the availability and suitability of alternative sources of financing. Financing decisions will, however, be made in the context of the schemes being considered for approval and the financial position of the Council at the time a decision is required.
- 2.1.28 This section also highlights the circumstances where capital receipts will be ringfenced to support specific purposes. This includes ringfencing of up to £2.000m to support the Council's use of flexibility in the utilisation of the capital receipts (see section 2.1.34).

Capital Investment and Disposal Appraisal

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

The Prioritisation of Capital Requirements

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

The Procurement of Capital Projects

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

The Measurement of the Performance of the Capital Programme

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

The Capital Investment Programme Board

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

Flexible use of Capital Receipts Strategy

- 2.1.34 The Council is proposing to utilise the flexibility provided by the Ministry of Housing, Communities and Local Government (MHCLG) to use capital receipts to fund the revenue cost of transformation. The 2021/22 revenue budget will rely on up to £2.000m of such funding from capital receipts. Annex D sets out the required Flexible Use of Capital Receipts Strategy which advises of the summary of planned receipts and summary of planned use and savings.

2.2 Capital Programme 2021/22 to 2025/26

- 2.2.1 The Council is required to set out its capital programme for the period 2021/22 to 2025/26 based on the principles of the Capital Strategy. As previously advised, an initial timeframe of five years has been adopted. The level of prudential borrowing included reflects the financing available in the revenue budget and through anticipated income streams, capital receipts align with forecasts and grant funding and other contributions are based on already notified allocations or best estimates at time of preparation. If additional resources become available, projects that meet the Council's strategic capital objectives will be brought forward for approval.
- 2.2.2 Clearly, the capital programme for 2021/22 is influenced by the performance of the capital programme for 2020/21. A review has taken place of planned spending in 2020/21 and the programme has been re-profiled as necessary with future years estimates updated.

Update on the 2020/21 Capital Programme

- 2.2.3 The 2020/21 month 8 capital monitoring position (elsewhere on the agenda) includes projections that are a key determinant of the 2021/22 programme. As many schemes span more than one year, the anticipated level of reprofiling between years sets the underlying position.
- 2.2.4 The capital programme for 2020/21 was approved at the Council meeting of 26 February 2020, with expenditure of £147.632m and supporting financing. This has been reduced downwards throughout the year and has subsequently been amended month on month to reflect agreed changes. This includes the actions arising from the findings of the

2020/21 annual review of the capital programme, a comprehensive project by project scrutiny of all schemes in the programme and the revised vision for Creating a Better Place that was approved at Cabinet on 24 August 2020.

- 2.2.5 The latest available capital monitoring position for the 2020/21 to 2024/25 Capital Programme at month 8 includes projected capital expenditure totalling £81.013m for 2020/21 matched with corresponding financing. The People and Place Directorate which manages all of the major regeneration projects, constitutes the main area of expenditure (£46.190m). Prudential Borrowing provides the main source of financing (£53.553m) followed by Grants and Other Contributions (£20.150m).
- 2.2.6 Actual expenditure to 30 November 2020 was £50.566m (62.42% of forecast outturn). This spending profile is in line with that of previous years, however the position will be kept under review and budgets will continue to be managed in accordance with forecasts.
- 2.2.7 The month 8 2020/21 capital spending and financing position is set out in the table below.

Table 1 - Revised 2020/21 Capital Programme

Directorate Expenditure	Capital Programme as at M08 £000
Corporate Services	16,936
Children's Services	10,457
Communities and Reform	125
Community Services & Adult Social Care	2,011
Housing Revenue Account	4,952
People and Place	46,190
Funding for Emerging Priorities	342
Total Expenditure	81,013
Ringfenced Grants	(5,998)
Un-ringfenced Grants	(13,829)
Capital Receipts	(2,335)
Other Resources	(323)
Prudential Borrowing	(53,553)
Revenue (HRA & General Fund)	(4,974)
Total Resources	(81,013)

- 2.2.8 The capital receipts position as at 30 November 2020 is as follows:

Table 2 - Capital Receipts Position

Capital Receipts Position	£000
Forecast Capital Receipts Available by 31/3/21	(2,335)
Expenditure to be Funded from Capital Receipts	2,335
Forecast Capital Receipts shortfall	-

- 2.2.9 The revised capital programme requires the availability of £2.335m of capital receipts in 2020/21 for financing purposes. The total net usable capital receipts currently received in year is £1.438m. Members should note that the first £2.335m call on capital receipts will be used to fund the Flexible Use of Capital Receipts which supports transformational

expenditure and therefore impacts on the revenue budget (this was initially budgeted at £3.750m but it is forecast that £1.415m of Capital Receipts will not be obtained due to COVID-19). It is therefore highly unlikely that any capital receipts will be used to finance any projects other than the Flexible Use of Capital Receipts within the capital programme in 2020/21.

2.2.10 As referred to at 2.2.4 above, the annual review of the capital programme examined all schemes to give Members confidence that planned expenditure remained relevant and aligned with corporate objectives. The capital programme for 2021/22 (and future years) reflects the results of the review.

2.2.11 It is anticipated that the 2020/21 position will still continue to change as Cabinet reports are approved and with amendments reviewed by the CIPB and approved under delegated authority as a result of the on-going monitoring process.

2.3 Proposed Expenditure for 2021/22 to 2025/26

2.3.1 The table below sets out the summary of the anticipated expenditure and matched financing of £340.289m, which incorporates resources expected to be carried forward from 2020/21. The proposed 2021/22 to 2025/26 programme reflects the 2020/21 month 8 position (summarised previously) together with an enhanced projection of expenditure for 2021/22 to 2025/26 incorporating anticipated spending on new initiatives and an allowance, at funding for emerging for new priorities to be supported. The detailed programme is set out at Annex C of Appendix 1 on a Portfolio basis.

Table 3 - Capital Programme 2021/22 to 2025/26

Proposed Capital Spending	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000
Corporate Services	5,320	69	69	138	-
Children's Services	6,110	13,200	13,742	-	-
Communities and Reform	637	-	-	-	-
Community Services & Adult Social Care	3,131	400	400	1,100	-
Housing Revenue Account	3,412	8,127	7,914	1,150	-
People and Place	64,046	68,770	46,093	58,665	23,558
Funding for Emerging Priorities	1,442	4,200	3,200	1,500	3,896
Total Expenditure	84,099	94,765	71,418	62,553	27,454

Funding	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000
Ringfenced Grants	(21,973)	-	-	-	-
Un-ringfenced Grants	(11,793)	(4,605)	(8,971)	(1,973)	(1,973)
Capital Receipts	(3,999)	(7,178)	(2,502)	(1,661)	-
Other Resources	(51)	-	-	-	-
Prudential Borrowing	(42,871)	(74,856)	(52,031)	(57,769)	(25,481)
Revenue (HRA)	(3,412)	(8,127)	(7,914)	(1,150)	-
Total Funding	(84,099)	(94,765)	(71,418)	(62,553)	(27,454)

2.3.2 Members should be aware that the Month 8 position detailed in the table above does not align to the Month 8 Monitoring report elsewhere on the agenda, which reflects the currently approved capital position for 2020/21 to 2024/25. The above table sets out the proposed capital programme for 2021/22 to 2025/26.

2.4 Resources Available to Support the Capital Programme

- 2.4.1 The Government is providing significant levels of grant funding. Some new funding initiatives have been introduced, some of which carry through to 2021/22 and beyond. Grants have been awarded/anticipated for Education, Social Care and Transport projects. The Council has not yet received all grant allocations for 2021/22. The grants will be incorporated into the capital programme when the notifications have been received.
- 2.4.2 The main source of grant income in 2021/22 is associated with the Transport Capital Programme. Included within the Transport budget are the Mayors Cycling and Walking Challenge fund of £11.273m, Growth Deal 3 funding £4.932, General Challenge Fund allocation of £4.134 and Highways Maintenance Grant of 3.880m. Within the schools capital programme are allocations for the School Condition Allocation of £3.706m which includes an indicative allocation of £1.291m for 2021/22 and Basic Need Capital grant of £1.479m. The resources available to support the programme are described in more detail in the following sections.

Government Grant Funding

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

Funding With No Revenue Consequences

1) Government Grants and other external grants and contributions

This is funding provided directly by Government or other external providers. It can be ringfenced, specific and un-ringfenced. Un-ringfenced resources are those that can be utilised to finance any project (albeit there is usually an expectation of use for a specific purpose). The majority of capital Government Grant funding is un-ringfenced. Resources classified as ringfenced have to be utilised to finance particular categories of expenditure and therefore are restricted in their use. The 2021/22 capital programme relies on £11.793m of un-ringfenced and £21.973m of ringfenced grants.

2) Capital Receipts

This is income received from the sale of Council assets and is usually un-ringfenced. The 2021/22 programme relies on £3.999m of capital receipts.

In general, it should be noted that a prudent approach has been taken in relation to the anticipated level of receipts with no resources assumed in excess of the requirement to support already approved schemes. However, taking advantage of flexibilities around the use of capital receipts introduced by the Government, the Council anticipates using up to £2.000m of capital receipts in 2021/22 to support transformational projects which would otherwise be financed by revenue resources.

Funding With Revenue Consequences

1) Prudential Borrowing

This is borrowing undertaken by the Council for specific projects. It is financed by revenue resources and is entirely at the discretion of the Council. Prudential borrowing has been used to support the major investment programmes which could not otherwise have been funded. The 2021/22 programme relies on £42.871m of prudential borrowing which has been fully financed.

- 2.4.6 As in previous years, the major source of financing remains prudential borrowing; the amount required in 2021/22 includes borrowing attributed to schemes that have been reprofiled from prior years. The Council will aim to reduce the amount of borrowing and associated financing costs by maximising grant income and capital receipts. The timing of the borrowing is linked to the cash position of the Council and may therefore not mirror the spending/financing profile set out above.

2.5 Capital Requirements for 2021/22

Resources Committed in 2021/22 to 2025/26

- 2.5.1 A review of the capital programme has highlighted that there is already a full range of commitments for the period 2021/22 to 2025/26 and net additional funding allocations totalling £323.617m. The table below shows the associated financing:

Table 4 – Change in Resources Included in the Capital Programme 2021/22 to 2025/26

Financing	2020-2025 Capital Strategy Position (@ M08) £000	2021-2026 Capital Strategy Position (Proposed) £000	Movement £000
Prudential Borrowing	(229,221)	(253,008)	(23,787)
Capital Receipts	(32,202)	(15,340)	16,862
Revenue Contributions	(18,641)	(20,603)	(1,962)
Grants & Contributions	(43,553)	(51,338)	(7,785)
Total	(323,617)	(340,289)	(16,672)

- 2.5.2 As part of the Capital Strategy and in line with normal procedures, a review of the Capital Receipts forecast was conducted. Due to the impact of the COVID-19 pandemic on assets disposals, the Capital receipts forecast was reduced significantly. As can be seen from the table above the financing of the overall programme has resulted in Capital Receipts being removed of the programme and replaced by Prudential Borrowing. The revenue impact of this movement has been incorporated in the Council's MTFS.
- 2.5.3 The capital commitments are set out in the following paragraphs and are shown in detail at Annex C of Appendix 1 of this report. There will be a continued review of capital spending requirements as the Council has further regeneration ambitions. This will however require a further phase of investment and the preparation of a new investment programme.

Corporate Services

- 2.5.3 Corporate Services expenditure is not specifically assigned or under the direct control of a service department. It relates to schemes that are corporate in nature rather than service specific. Total projected spending on Corporate Services projects is £5.596m over the strategy period. Planned spending is phased as set out below:

Table 5 - Corporate Services Expenditure over the Capital Strategy 2021/22 to 2025/26

	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000
Corporate Services	3,320	69	69	138	-
Flexible Use of Capital Receipts	2,000	-	-	-	-
TOTAL	5,320	69	69	138	-

Children's Services

- 25.4 There is planned Directorate expenditure of £33.052m over the period 2021/22 to 2025/26 as shown below:

Table 6 – Children's Services Expenditure over the Capital Strategy 2021/22 to 2025/26

	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000
Children's Services Directorate	6,110	13,200	13,742	-	-

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

Communities and Reform Directorate

- 2.5.6 There is planned Directorate expenditure of £0.637m over the 5 year life of the programme as shown below.

Table 7 - Reform Directorate Expenditure over the Capital Strategy 2021/22 to 2025/26

	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000
District Investment Fund	90	-	-	-	-
Local Investment Fund	547	-	-	-	-
TOTAL	637	-	-	-	-

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

Community Services and Adult Social Care Directorate

- 2.5.8 There is planned Directorate expenditure of £5.031m phased over the 5 year programme as set out below:

Table 8 – Community Health and Adult Social Care Directorate Expenditure over the Capital Strategy 2021/22 to 2025/26

	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000
Community Health and Adult Social Care Services Directorate	3,131	400	400	1,100	-

- 2.5.9 This area of spending is focused on Social Care. The major areas of expenditure in relation to 2021/22 are as follows:

- Resources of £0.403m are specifically allocated in 2021/22 to support local Social Care Schemes.
- Indicative funding of £2.000m relating to the expansion of the Disabled Facilities Grant (in addition to re-phasing of £0.728m from 2020/21).

People and Place Directorate

- 2.5.10 There is planned Directorate expenditure of £261.132m over the period 2021/22 to 2025/26 as shown below:

Table 9 - People and Places Directorate Expenditure over the Capital Strategy 2021/22 to 2025/26

	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000
People and Place Directorate	64,046	68,770	46,093	58,665	23,558

- 2.5.11 The major areas of expenditure in relation to 2021/22 are as follows:

Table 10 – People and Places Directorate Expenditure 2021/22

Service Area	£000
Corporate Property	6,435
Environment	188
Information Technology	2,898
Neighbourhood Development Fund	213
Other Regeneration Priorities	5,924
Private Sector Housing	929
Royton Town Centre Development	300
Schools	289
Town Centre Regeneration	19,477
Transport including Fleet	27,394
TOTAL	64,046

- 2.5.12 The inclusion of the one off external funding in the Transport Capital programme, the Town Centre Regeneration and Other Regeneration priorities that fall within the Creating

a Better Place Strategy account for the majority of the spend within the People and Place Directorate. These areas encompass a wide range of high priority schemes as detailed in Annex A of Appendix 1. It is, however, possible that some of this spending allocated to the Creating a Better Place Strategy maybe re-profiled as 2021/22 progresses.

Housing Revenue Account

- 2.5.13 Projected spending on Housing Revenue Account projects of £20.603m over the life of the programme is phased as follows:

Table 11 - Housing Revenue Account Expenditure over the Capital Strategy 2021/22 to 2025/26

	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000
Housing Revenue Account	3,412	8,127	7,914	1,150	-

- 2.5.15 The primary focus of this developing temporary accommodation to meet homelessness demands, the Purchase and Repair and Lease and Repair pilot schemes in the private rented sector and provision for future housing purchases.

Funding for Emerging Priorities

- 2.5.16 Within the programme, there is currently an unallocated resource of £14.238m over the five years of the capital programme as highlighted below:

Table 12 – Funding for emerging priorities to be allocated over the Capital Strategy 2021/22 to 2025/26

	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000
Funding for Emerging Priorities	1,442	4,200	3,200	1,500	3,896

- 2.5.17 This unallocated resource can be deployed to support existing priority schemes or new initiatives, including those highlighted above for which not specific allocation exists, for example Greater Manchester Devolution and Related Initiatives and Matched Funding for Grant Bids.
- 2.3.18 This is considered a prudent approach to allow flexibility, revision and reassessment of priorities. Provision of £1.442m is available in 2021/22 with a further £12.796m available over the rest of the Capital Programme period.
- 2.5.19 The use of these unallocated resources will be prioritised by the CIPB including any realignment into future years. It is expected that all of these resources will be used over the life of the programme.

2.6 Proposed Capital Programme

- 2.6.1 Annex C of Appendix 1 of this report details the proposed 2021/22 Capital Programme and the indicative programme for the period 2022/23 to 2025/26. The strategy of the Council is to prepare a capital programme that balances over the life of the programme so that resources equal overall expenditure. Therefore, over the five years there is planned expenditure of £340.289 with corresponding financing.
- 2.6.2 Total expenditure in 2021/22 is planned at £84.099m. However, the in-year position is anticipated to evolve as:
- There may be further Government funding allocations announced prior to the start of 2021/22.
 - The outcome of specific grant bids will be announced during 2021/22.
 - It is also likely that there will be new initiatives announced later in the financial year.
 - There may also be the opportunity to bid for additional funding.
 - The Council may identify other funding sources, including capital receipts, to finance additional capital expenditure.
- 2.6.3 Therefore the overall capital programme position will be kept under review and any new information about funding allocations will be presented to Members in future reports.

3. Options/Alternatives

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

4. Preferred Option

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

5. Consultation

- 5.1 Consultation has taken place with the members of the CIPB which includes Cabinet Members. Members of the CIPB have contributed to the preparation of the 2021/22 to 2025/26 Capital Strategy and Capital Programme. Scrutiny by the Overview & Scrutiny Performance and Value for Money Select Committee is a key stage in the consultation process.

6. Financial Implications

- 6.1 By the very nature of this report, it contains financial details of the capital expenditure and financing associated with the delivery of the 2021/22 capital programme.
- 6.2 In overall terms, the planned programme for 2021/22 to 2025/26 totals £340.289m which is fully financed. The revenue consequences of the anticipated prudential borrowing of £253.008m is included within the estimates underpinning the proposed revenue budget and MTFS.

7. Legal Services Comments

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

8. Co-operative Agenda

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

9. Human Resources Comments

- 9.1 None.

10. Risk Assessments

- 10.1 The main risk foreseen at this stage is whether the planned level of capital receipts can be achieved to finance the current capital programme. In order to minimise the risk, a prudent estimate of capital receipts has been made, having regard to the prevailing economic climate which may have an impact on both the timing and level of receipts that can be achieved. The overall level of capital receipts is therefore kept under review and any significant changes are reflected in capital programme forecast outturn figures.
- 10.2 Actual and potential revisions to Government policy present new risks. The Council must ensure that these are successfully managed, over and above those that are a consequence of any traditional capital programme. In particular these cover risks around expenditure that has already been committed in future years where there is no certainty of continued funding, potential unfunded ongoing legal liabilities, potential overspending requiring an unbudgeted allocation of resources and the general risks around the uncertainty over the nature and level of the 2021/22 and future years' capital funding.
- 10.3 Following the issue of the revised Prudential and Treasury Management codes a section on the risks associated with the Capital Programme must be included within the Capital Strategy document. The risk section can be found in Appendix 1, paragraph 5.13 to 5.17.

11. IT Implications

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

12. Property Implications

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

12.2 Any proposed new capital projects and capital programme developments will be considered and reviewed in the context of the refreshed Creating a Better Place and Medium-Term Property Strategy.

13. **Procurement Implications**

13.1 None.

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

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

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

15.1 None.

16. **Equality Impact Assessment Completed?**

16.1 Not applicable.

17. **Key Decision**

17.1 Yes

18. **Forward Plan Reference**

18.1 FG-14-20

19. **Background Papers**

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

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

20. **Appendices**

20.1 Appendix 1 – Capital Strategy 2021/22 to 2025/26