

## **Capital Strategy and Capital Programme 2023/24 to 2027/28**

**Portfolio Holder:** Cllr Abdul Jabbar MBE, Deputy Leader and Cabinet Member for Finance and Low Carbon

**Report Author:** Anne Ryans, Director of Finance

**Officer Contact:** Lee Walsh, Finance Manager

**26 January 2023**

---

### **Reason for Decision**

To set out the Capital Strategy for 2023/24 to 2027/28 and thereby the proposed 2023/24 capital programme, including identified capital investment priorities, together with the indicative capital programme for 2024/25 to 2027/28, 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 2023/24 to 2027/28 takes the essential elements of the 2022/23 to 2026/27 and previous years' strategies and programmes and moves them forward in the context of the financial and political environment for 2023/24.

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 2028/29 to 2037/38.

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

- A high-level long-term overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services.

- An overview of how the associated risk is managed; and
- The implications for future financial sustainability.

The Capital Strategy is presented at Appendix 1. It is prepared in 15 sections and ensures that 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 and the Oldham Plan (Our Future Oldham), Creating a Better Place (CaBP) Programme, Medium Term Property Strategy (MTPS), Housing Strategy (HS) and Budget and Policy Framework
2. The Principles of the Capital Strategy
3. Priority Areas for Investment
4. Supporting Greater Manchester Devolution and Accessing Levelling Up, UK Shared Prosperity Fund (UKSPF) and Decarbonisation 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 (CIPB)

The Strategy is aligned with the Creating a Better Place programme which is focused on building more homes for the borough's residents, creating new jobs through regeneration and ensuring Oldham is a great place to visit with lots of family friendly and accessible places to go. This also incorporates the Medium-Term Property Strategy and Housing Strategy and aims to deliver its ambition in ways that contribute to a reduction in carbon emissions in support of the Council's Green New Deal strategy.

Section 1 of the Capital Strategy highlights the aims of the Capital Strategy and its links to the Council's Corporate Plan and the Oldham Plan (Our Future Oldham). This section of the report also describes more fully the Creating a Better Place programme (encompassing the Medium-Term Property Strategy and Housing Strategy) which is a significant element of the Council's planned Capital Expenditure over the five-year period 2023/24 to 2027/28.

Annex C of Appendix 1 sets out the proposed capital expenditure and financing for the period covered by the Capital Strategy, 2023/24 to 2027/28.

The Strategy also advises that the Council is proposing to continue the use the flexibility provided by the Government to use capital receipts to fund the revenue cost of

transformation. The 2023/24 revenue budget will rely on up to £2.600m of such funding from capital receipts.

### **Capital Programme 2022/23 to 2026/27**

The 2022/23 month 8 capital monitoring position presented alongside this report includes expenditure projections that are a key determinant of the 2023/24 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 2022/23 is £59.113m. The People and Place Directorate which manages all of the major regeneration projects, constitutes the main area of expenditure. Grants and Other Contributions (£37.327m) followed by Prudential Borrowing provide the main source of financing (£15.533m).

Actual expenditure to 30 November 2022 was £29.531m (49.96% of the 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 2023/24 to 2027/28**

The Council has set out its capital programme for the period 2023/24 to 2027/28 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.

As at the month 8 capital monitoring position, the anticipated expenditure over the five year life of the 2022/23 to 2026/27 strategy was £354.898m, taking 2022/23 aside (£59.113m) leaves £295.785m for the remainder of the approved 2023/24 to 2026/27 capital programme. Following the refresh of existing strategies and the Creating a Better Place programme, and moving forward the planning period by one year, the Capital Strategy for 2023/24 to 2027/28 totals £300.335m.

The capital programme includes proposed expenditure for 2023/24 of £96.509m of which £71.148m, is the largest area of expenditure being on regeneration, schools, transport and infrastructure projects within Place and Economic Growth Directorate. Total expenditure increases/decrease to £98.838m, £44.872m, £55.562m and £4.554m in 2024/25, 2025/26, 2026/27 and 2027/28 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 Towns Fund at £11.266m, along with Education-related Basic Need Capital grant provision of £4.662m over the life of the programme. There are also considerable resources allocated to the Council via the Greater Manchester Combined Authority (GMCA) including the Mayors Cycling and Walking Challenge Fund

(£10.232m) and estimated Local Transport Programme - Highway Maintenance Grant totals £17.968m over the strategy period.

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 2023/24 capital programme relies on £18.668m of ringfenced and £10.853m of un-ringfenced grants.

As in previous years, a major source of financing remains prudential borrowing. The amount required in 2023/24 (£59.041m) 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 2023/24 and during the year as:

- The outcome of specific grant bids may be announced during the last quarter of 2022/23.
- The outcome of specific grant bids will be announced during 2023/24.
- It is also likely that there will be new initiatives announced in 2023/24.
- 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 with the Members of the Capital Investment Programme Board on the proposed Capital Strategy and Capital Programme for 2023/24 to 2027/28. The consideration of the proposed Capital Strategy and Capital Programme for 2023/24 to 2027/28 by the Policy Overview and Scrutiny Committee on 26 January 2023 is a key element of the consultation process. Any comments from the Committee will be incorporated into the report presented to Cabinet on 13 February 2023 and Council on 1 March 2023.

## **Recommendations**

That the Policy Overview and Scrutiny Committee considers and comments upon:

- i) The Capital Strategy for 2023/24 to 2027/28 at Appendix 1 of this report and summarised at section 2.1.
- ii) The capital programme for 2023/24 and indicative programmes for 2024/25 to 2027/28 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.

**Capital Strategy and Capital Programme 2023/24 to 2027/28**

**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 2023/24 to 2027/28 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 2023/24 and 2024/25 in detail.
- 1.2 The Strategy does however include a longer term vision, which also covers the time frame for 10 years from 2028/29 to 2037/38. This takes a forward look at those projects that are likely to run beyond the initial five year strategy and programme period.
- 1.3 The format of the Capital Strategy reflects the requirements of the latest Prudential and Treasury Management Codes issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) in December 2021. 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 2023/24 to 2027/28 capital spending plans of the Council. This, taken together with an update on spending in 2022/23, has a significant influence over the profiling of expenditure into future years.
- 1.6 The proposed Capital Strategy and Capital Programme for 2023/24 to 2027/28 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 2023/24 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 2023/24 to 2027/28**

- 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, 2023/24 to 2027/28, but as advised above, the format and content of the Capital Strategy reflects the requirements of the latest guidance issued by CIPFA as part of the Prudential and Treasury Management Codes.
- 2.1.2 The 2023/24 to 2027/28 Capital Strategy is influenced by the principles which shape the overarching budget process for 2023/24 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 schemes to develop the local economy through for example:
  - Taking forward the vision for Oldham town centre, facilitated by the acquisition and redevelopment of the Spindles and Town Square Shopping Centres;
  - 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 which are key to the economic and social recovery of the borough as it addresses the legacy from the COVID-19 pandemic and the challenges facing the economy arising from national and international developments.
- c) Using regeneration schemes 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 has provided additional resources which have been used to support the revenue budget in previous years and will continue to do so in 2023/24.

#### Creating a Better Place Programme

- 2.1.3 The Creating a Better Place programme (originally approved January 2020) sets out a vision for the borough which is focused 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 strategy aims to deliver these ambitions in ways that contribute to a reduction in carbon emissions in support of the Council's Green New Deal strategy.
- 2.1.4 The Creating a Better Place strategy was reviewed and updated in August 2020, in light of the COVID-19 pandemic, to place more emphasis on economic recovery and accelerating the potential for generating revenue budget savings. The programme envisages delivering an already approved £8.058m of revenue budget savings between 2022/23 and 2026/27.
- 2.1.5 Key programme areas and schemes included within the Creating a Better Place programme are set out below:
  - Housing – The Council's Housing Strategy aims 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) which will 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 and Borough-Wide Regeneration – The Council's plans for investment in schemes which will support economic regeneration across the borough as well as in the town centre. These schemes are aligned with wider objectives to rationalise the Council's corporate estate and asset management commitments as well as deliver against its Green New Deal Strategy to achieve carbon neutrality for Council buildings and street lighting (by 2025) and for the borough (by 2030). Key regeneration schemes such as the Spindles & Town Square shopping Centres, Future High Street Fund schemes, Making Space for Live Performance, Northern Roots and the Old Library Building are detailed in Appendix 1 in Annex A.
- Asset Management – Implementing the Medium Term Property Strategy to achieve both cost savings and a more efficient use of the corporate estate, contributing to the delivery of £8.058m of annual revenue budget savings and a reduced requirement for backlog maintenance as well as informing the development of an asset disposal programme to reduce Council holdings of surplus assets and generate additional capital receipts.
- Green Initiatives and Decarbonisation – The Council's Green New Deal Strategy envisages a mix of Council, private sector and national / third sector grant funding to finance the achievement of carbon reduction. The Council has set carbon neutrality targets for Council Buildings and Street Lighting (by 2025) and for the borough (by 2030). The principles of the Green New Deal Strategy are reflected in all schemes across the Creating a Better Place programme.

2.1.6 The Creating a Better Place programme incorporates a wide range of schemes which are either in train or will be started over the period 2023/24 to 2027/28.

#### The Principles of the Capital Strategy

2.1.7 The Capital Strategy has 16 principles outlined in Appendix 1 Section 2. The 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 demonstration that a capital project must contribute to one or more of the Council's objectives and also regional strategies before a decision to invest is made
- The pooling of all un-ringfenced funds but having regard to two 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 Health and Social Care integration with NHS partners by making Council capital resources available for joint projects linked to the creation of an Integrated Care System for Oldham.

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



## Priority Areas for Investment

- 2.1.9 Section 3 of Appendix 1 advises of the priority investment areas identified for the 2023/24 to 2027/28 period that will be taken forward subject to the availability of resources and the approval of a full business case.
- 2.1.10 There is an ongoing 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
- 2.1.11 In addition to the projects specifically referred to above, the following is a list of further/new projects for which funding may be required grouped by key strategies underpinning the programme:

### Creating a Better Place

- a) Housing
- b) Town Centre and Borough-Wide Regeneration (incorporating Spindles and Town Square Shopping Centres, Wider Town Centre Redevelopment, Future High Street Fund Schemes, Making Space for Live Performance, Oldham Coliseum Theatre, Northern Roots, Old Library Building and Royton Town Centre Development and other regeneration schemes)
- c) Asset Management (including Medium Term Property Strategy, Surplus Sites and Working with NHS Partners)
- d) Green Initiatives and Decarbonisation

### Highways and Transport

- a) City Region Sustainable Transport Settlement (CRSTS) annual highways maintenance allocation;
- b) Greater Manchester's (GM) Mayor's Cycling and Walking Challenge Fund;
- c) Department for Transport Highway Maintenance Challenge Fund;
- d) TfGM Active Travel Fund 2;
- e) CRSTS funding for the Rochdale - Oldham – Ashton Quality Bus Transit (QBT) Corridor.

### Other Programmes and Schemes

- a) Housing Initiatives (funded by Housing Revenue Account resources) including working with the Councils PFI partners to ensure that the condition of the housing stock is maintained
- b) Social Care (Including Better Care Fund (Disabled Facilities Grant) and responding to the Adult Social Care reform agenda
- c) Fleet Replacement
- d) Local Improvement Fund
- e) Greater Manchester (GM) Investment Fund Loans
- f) GM Devolution and Related Initiatives
- g) Opportunities arising from Levelling Up

- h) Matched Funding for Grant Bids
- i) Funding for Emerging Priorities

- 2.1.12 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. The Capital Strategy also includes an additional unallocated resource to mitigate against the risk of scheme cost increases resulting from supply chain issues in the construction sector and associated inflationary pressures.
- 2.1.13 The Strategy does however include a longer term vision, a forward look at those projects that are likely to run beyond the five year strategy and programme period or be initiated subsequently. This covers a timeframe for the 10 years from 2028/29 to 2037/38.

#### Supporting Greater Manchester Devolution and Accessing National Infrastructure Strategy Resources

- 2.1.14 Section 4 of Appendix 1 advises that the Greater Manchester Strategy remains the key policy document that will shape the future of Greater Manchester. The plan explains the region's ambitions for the future of those who live in the towns, cities, communities and neighbourhoods that make up Greater Manchester. The strategy for Greater Manchester sets out a route, over the next decade, to deliver this vision for the benefit of people, places and planet.
- 2.1.15 Working collectively across the city region, with partner Authorities and their communities, the focus is on improved wellbeing for the 2.8m who live in Greater Manchester, with better homes, jobs and transport.
- 2.1.16 Priorities of the strategy are making Greater Manchester a great place to visit, invest and study, with thriving businesses which are UK and world leading, in sectors including low carbon and digital. It's important that key strategies adopted in Oldham reflect the aims and aspirations of the GM strategy as this will be the key decision document for future funding that might be allocated through GMCA.
- 2.1.17 The Council will strive through its capital programme, to continue to support devolution activities.

#### Affordability, Delivery and Risk Associated with the Capital Schemes

- 2.1.18 In accordance with the requirements of the Prudential and Treasury Management Codes of Practice, 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

- 2.1.19 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

- 2.1.20 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

- 2.1.21 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.

## Other Non-Treasury Investments

- 2.1.22 Section 9 of Appendix 1 advises that a number of years ago the Council invested in the Churches, Charities and Local Authorities (CCLA) property fund and holds historical commercial property assets that were acquired prior to the introduction of revised Public Works Loan Board (PWLB) lending criteria. These assets are located throughout the borough but were purchased primarily to support local policy objectives including the acquisition of strategic sites to support long term redevelopment and regeneration.

## Capital Resources to Support Capital Expenditure

- 2.1.23 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.
- 2.1.24 This section also highlights the circumstances where capital receipts will be ringfenced to support specific purposes. This includes ringfencing of up to £2.600m to support the Council's use of flexibility in the utilisation of the capital receipts in 2023/24 and 2024/25 (see section 2.1.30).

## Capital Investment and Disposal Appraisal

- 2.1.25 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

- 2.1.26 Section 12 of Appendix 1 advises that once a bid for capital expenditure has passed through the Gateway Review 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

- 2.1.27 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

- 2.1.28 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 based on best current practice. 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

- 2.1.29 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 Low Carbon. 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

- 2.1.30 The Council is proposing to utilise the flexibility provided by the Department for Levelling Up, Housing and Communities (DLUHC) to use capital receipts to fund the revenue cost of transformation. The 2023/24 revenue budget will rely on up to £2.600m of such funding from capital receipts. Annex D sets out the required Flexible Use of Capital Receipts Strategy which advises how the capital receipts will be used and the transformation programme that will deliver savings.

## **2.2 Capital Programme 2023/24 to 2027/28**

- 2.2.1 The Council is required to set out its capital programme for the period 2023/24 to 2027/28 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 2023/24 is influenced by the performance of the capital programme for 2022/23. A review has taken place of planned spending in 2022/23 and the programme has been re-profiled as necessary with future years estimates updated.

### **Update on the 2022/23 Capital Programme**

- 2.2.3 The 2022/23 draft month 8 capital monitoring position includes projections that are a key determinant of the 2023/24 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 2022/23 was approved at the Council meeting of 2 March 2022, with expenditure of £100.248m 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 2022/23 annual review of the capital programme, a comprehensive project by project scrutiny of all schemes in the programme which was reported in detail to Cabinet within the month 6 Financial Monitoring report approved at Cabinet on 12 December 2022.
- 2.2.5 The latest available capital monitoring position for the 2022/23 to 2026/27 Capital Programme at month 8 included projected capital expenditure totalling £59.113m for 2022/23 matched with corresponding financing. The People and Place Directorate which manages all of the major regeneration projects, constituted the main area of expenditure (£43.639m). Grants and Other Contributions (£37.327m) provided the main source of financing followed by Prudential Borrowing (£15.533m).
- 2.2.6 Actual expenditure to 30 November 2022 was £29.531m (49.96% of forecast outturn). This spending profile is lower than previous years. The position will be kept under review and budgets will continue to be managed in accordance with forecasts.
- 2.2.7 The month 8 2022/23 capital spending and financing position is set out in the table below.

**Table 1 - Revised 2022/23 Capital Programme**

Directorate Expenditure	2022/23 Capital Programme as at M08 £000
Community Health and Adult Social Care	2,366
Children's Services	6,712
Communities	196
Place and Economic Growth	43,639
Housing Revenue Account (HRA)	-
Corporate/ Information Technology (IT)	3,701
Capital, Treasury & Technical Accounting	2,500
Funding for Emerging Priorities	-
<b>Total Expenditure</b>	<b>59,113</b>
Ringfenced Grants	(23,931)
Un-ringfenced Grants	(13,396)
Capital Receipts	(6,163)
Prudential Borrowing	(15,533)
Revenue (HRA & General Fund)	(90)
<b>Total Resources</b>	<b>(59,113)</b>

2.2.8 The forecast capital receipts position as at 30 November 2022 is as follows:

**Table 2 - Capital Receipts Position**

Capital Receipts Position	£000
Forecast Capital Receipts Available by 31 March 2023	(5,071)
Expenditure to be Funded from Capital Receipts	6,163
<b>Forecast Shortfall in Capital Receipts</b>	<b>1,092</b>

2.2.9 The revised capital programme requires the availability of £6.163m of capital receipts in 2022/23 for financing purposes. The total net usable capital receipts currently received in year is £2.663m with an additional estimate of £2.408m to be received by 31 March 2023 therefore the total estimated capital receipts for 2022/23 is £5.071m. A decision on the funding the shortfall in capital receipts will be taken as part of the year end 2022/23 financing of the Capital Programme. Members should note that the first £2.500m of capital receipts will be used to fund the Flexible Use of Capital Receipts initiative which supports transformational expenditure and therefore supports the revenue budget in 2022/23.

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 2023/24 (and future years) reflects the results of the review.

2.2.11 It is anticipated that the 2022/23 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 2023/24 to 2027/28

2.3.1 The table below sets out the summary of the anticipated expenditure and matched financing of £300.335m, which incorporates resources expected to be carried forward from 2022/23. The proposed 2023/24 to 2027/28 programme reflects the 2022/23 month 8 position (summarised previously) together with an enhanced projection of expenditure for 2023/24 to 2027/28 incorporating anticipated spending on new initiatives and an allowance, at funding for emerging priorities for new initiatives/projects to be supported. The detailed programme is set out at Annex C of Appendix 1 on a Portfolio basis with the summary in Table 3 below.

**Table 3 - Capital Programme 2023/24 to 2027/28**

<b>Proposed Capital Spending</b>	<b>2023/24 £000</b>	<b>2024/25 £000</b>	<b>2025/26 £000</b>	<b>2026/27 £000</b>	<b>2027/28 £000</b>
Community Health and Adult Social Care	2,343	2,343	1,826	400	
Children's Services	9,930	4,522	1,691	1,500	1,500
Communities	400	100			
Place and Economic Growth	71,148	69,051	24,540	36,507	3,054
Housing Revenue Account (HRA)	1,000	500	95		
Corporate/ Information Technology (IT)	5,958	3,960	2,650	2,150	
Capital, Treasury & Technical Accounting	4,238	2,738	234	10,120	
Funding for Emerging Priorities	1,492	15,624	13,836	4,885	
<b>Total Expenditure</b>	<b>96,509</b>	<b>98,838</b>	<b>44,872</b>	<b>55,562</b>	<b>4,554</b>
<b>Funding</b>	<b>2023/24 £000</b>	<b>2024/25 £000</b>	<b>2025/26 £000</b>	<b>2026/27 £000</b>	<b>2027/28 £000</b>
Ringfenced Grants	(18,668)	(21,696)	(133)		
Un-ringfenced Grants	(10,853)	(9,434)	(3,580)	(5,554)	(3,054)
Capital Receipts	(6,946)	(3,488)	(1,056)	(970)	
Prudential Borrowing	(59,041)	(63,721)	(40,008)	(49,038)	(1,500)
Revenue (HRA )	(1,000)	(500)	(95)		
<b>Total Funding</b>	<b>(96,509)</b>	<b>(98,838)</b>	<b>(44,872)</b>	<b>(55,562)</b>	<b>(4,554)</b>

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

## 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 2023/24 and beyond. Grants have been awarded/anticipated for Education, Social Care and Transport projects. The Council has not yet received all grant allocations for 2023/24. 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 2023/24 is associated with the Transport Capital Programme. Included within the Transport budget are the ringfenced Mayors Cycling and Walking Challenge fund of £5.696m, Growth Deal 3 funding £0.510m, General Challenge Fund allocation of £2.211m and the unringfenced Highways Maintenance Grant of £3.509m. Within the schools capital programme are allocations for the School

Condition Allocation of £1.749m and Basic Need Capital grant of £3.252m. 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). Resources classified as ringfenced have to be utilised to finance particular categories of expenditure and therefore are restricted in their use. The 2023/24 capital programme relies on £18.668m of ringfenced and £10.853m of un-ringfenced grants.

#### **2) Capital Receipts**

This is income received from the sale of Council assets and is usually un-ringfenced. The 2023/24 programme relies on £6.946m 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 £2.600m of capital receipts in 2023/24 and 2024/25 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 2023/24 programme relies on £59.041m 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 2023/24 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 2023/24

### Resources Committed in 2023/24 to 2027/28

- 2.5.1 A review of the capital programme has highlighted that there is already a full range of commitments for the period 2022/23 to 2026/27 with net funding allocations totalling £354,898m. This decreases by £54.563m to £300.335m when considering the period 2023/24 to 2027/28. The table below shows the associated financing:

**Table 4 – Change in Resources Included in the Capital Programme 2023/24 to 2027/28**

Financing	2022-2027 Capital Strategy Position (@ M08) £000	2023-2028 Capital Strategy Position (Proposed) £000	Movement £000
Prudential Borrowing	(227,341)	(213,308)	14,033
Capital Receipts	(18,622)	(12,460)	6,162
Revenue Contributions	(1,685)	(1,595)	90
Grants & Contributions	(107,250)	(72,972)	34,278
<b>Total</b>	<b>(354,898)</b>	<b>(300,335)</b>	<b>54,563</b>

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

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

### Community Health and Adult Social Care Directorate

- 2.5.3 There is planned Community Health and Adult Social Care Directorate expenditure of £6.912m phased over the 5 year programme as set out below:

**Table 5 – Community Health and Adult Social Care Directorate Expenditure over the Capital Strategy 2023/24 to 2027/28**

	2023/24 £000	2024/25 £000	2025/26 £000	2026/27 £000	2027/28 £000
Community Health and Adult Social Care Services Directorate	2,343	2,343	1,826	400	-

- 2.5.4 This area of spending is focused on Social Care. The major areas of expenditure in relation to 2023/24 is the Disabled Facilities Grant for which indicative grant funding has been assumed.

### Children's Services

- 2.5.5 There is planned Directorate expenditure of £19.143m over the period 2023/24 to 2027/28 as shown below:

**Table 6 – Children’s Services Expenditure over the Capital Strategy 2023/24 to 2027/28**

	2023/24 £000	2024/25 £000	2025/26 £000	2026/27 £000	2027/28 £000
Children’s Services Directorate	9,930	4,522	1,691	1,500	1,500

2.5.6 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 Directorate**

2.5.7 There is planned Directorate expenditure of £0.500m over the 5 year life of the programme as shown below.

**Table 7 - Communities Directorate Expenditure over the Capital Strategy 2023/24 to 2027/28**

	2023/24 £000	2024/25 £000	2025/26 £000	2026/27 £000	2027/28 £000
Local Investment Fund	400	100	-	-	-
<b>TOTAL</b>	<b>400</b>	<b>100</b>	-	-	-

2.5.8 All the spending in the Communities Directorate reflects spending in relation to the Local Investment Fund.

**Place and Economic Growth Directorate**

2.5.9 There is planned Place and Economic Growth Directorate expenditure of £204.300m over the period 2023/24 to 2027/28 as shown below:

**Table 8 - Place and Economic Growth Directorate Expenditure over the Capital Strategy 2022/23 to 2026/27**

	2023/24 £000	2024/25 £000	2025/26 £000	2026/27 £000	2027/28 £000
People and Place Directorate	71,148	69,051	24,540	36,507	3,054

2.5.10 The major areas of expenditure in relation to 2023/24 are as follows:

**Table 9 – People and Places Directorate Expenditure 2023/24**

Service Area	£000
Asset Management - Backlog Maintenance	4,119
Asset Management – Other	3,300
Asset Management - Education Premises	1,749
Boroughwide Developments	14,742
Environment – Cemeteries/Crematorium	37
Environment - Countryside / Parks	135
Private Housing - HMRF	150
Public Realm	50
Strategic Acquisitions	2,000
Town Centre Developments	31,513
Transport - Accident Reduction	198
Transport - Bridges & Structures	3,889
Transport - Fleet Management	298
Transport - Major Works/Drainage schemes	7,659
Transport - Minor Works	781
Transport - Miscellaneous	528
<b>TOTAL</b>	<b>71,148</b>

2.5.11 The Creating a Better Place expenditure accounts for the majority of spend within the Place and Economic Growth directorate. The major regeneration schemes such as the Spindles and Town Square shopping centres are included within the Town Centre Developments budget line. Further details of the regeneration schemes are detailed in Annex A of Appendix 1. However, it must be noted that some of this spending allocated to the Creating a Better Place programme maybe re-profiled into future years as individual schemes move from the development to construction stages.

#### **Housing Revenue Account**

2.5.12 Projected spending on Housing Revenue Account (HRA) projects of £1.595m over the life of the programme is phased as follows:

**Table 10 - Housing Revenue Account Expenditure over the Capital Strategy 2023/24 to 2027/28**

	2023/24 £000	2024/25 £000	2025/26 £000	2026/27 £000	2027/28 £000
Housing Revenue Account	1,000	500	95	-	-

2.5.13 The planned spending of HRA resources on capital project is much reduced from previous years, largely as a result of the impact of inflationary cost increases on the availability of HRA balances to invest in capital projects. The investment that is planned will focus on:

- **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.

- **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.

### Corporate/ Information Technology (IT)

2.5.14 There is planned Information Technology expenditure of £14.718m over the period 2023/24 to 2027/28 as shown below:

**Table 11 – Corporate/Information Technology Expenditure over the Capital Strategy 2023/24 to 2027/28**

	2023/24 £000	2024/25 £000	2025/26 £000	2026/27 £000	2027/28 £000
Information Technology (IT)	5,958	3,960	2,650	2,150	-

2.5.15 The six key areas for ICT investment including those linked to invest to save opportunities have been identified as:

- Digital & Technology Foundations
- Line of Business Systems
- Business Support, HR/OD foundations
- Workforce Collaboration and Productivity
- Customer Experience
- Business Insight Performance, Strategy & Policy Foundations

Further details on the ICT Strategy over the life of the Capital Programme is included within Annex 1 of the Capital Strategy.

### Capital, Treasury & Technical Accounting

2.5.16 Capital, Treasury & Technical Accounting 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 Capital, Treasury & Technical Accounting projects is £17.330m over the strategy period. Planned spending is phased as set out below:

**Table 12 - Capital, Treasury & Technical Accounting Expenditure over the Capital Strategy 2023/24 to 2027/28**

	2023/24 £000	2024/25 £000	2025/26 £000	2026/27 £000	2027/28 £000
Strategic Investments	1,638	138	234	-	-
Provision for Inflation Pressures	-	-	-	10,120	-
Flexible Use of Capital Receipts	2,600	2,600	-	-	-
<b>TOTAL</b>	<b>4,238</b>	<b>2,738</b>	<b>234</b>	<b>10,120</b>	<b>-</b>

## Funding for Emerging Priorities

2.5.17 Within the programme, there is currently an unallocated resource of £35.838m over the five years of the capital programme as highlighted below:

**Table 13 – Funding for emerging priorities to be allocated over the Capital Strategy 2023/24 to 2027/28**

	2023/24 £000	2024/25 £000	2025/26 £000	2026/27 £000	2027/28 £000
Funding for Emerging Priorities	1,492	15,624	13,836	4,885	-

2.5.18 This unallocated resource can be deployed to support existing priority schemes or new initiatives, including those for which no specific allocation exists, for example Greater Manchester Devolution and Related Initiatives and Matched Funding for Grant Bids.

2.3.19 This is considered a prudent approach to allow flexibility, revision and reassessment of priorities. Provision of £1.492m is available in 2023/24 with a further £34.345m available over the rest of the Capital Programme period.

2.5.20 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 2023/24 Capital Programme and the indicative programme for the period 2024/25 to 2027/28. 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 £300.335 with corresponding financing.

2.6.2 Total expenditure in 2023/24 is planned at £96.509m. However, the in-year position is anticipated to evolve as:

- There may be further Government funding allocations announced prior to the start of 2023/24.
- The outcome of specific grant bids will be announced during 2023/24.
- 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 The two options that Members are asked to consider are that:

- a) Members accept the proposed Capital Strategy and Capital Programme for 2023/24 to 2027/28
- b) Members suggest an alternative approach to capital investment for 2023/24 to 2027/28, including the revision of capital priority areas.

#### 4. **Preferred Option**

4.1 The preferred option is 3.1 (a) that the Select Committee accepts the proposed Capital Strategy and Capital Programme for 2023/24 to 2027/28.

#### 5. **Consultation**

5.1 Consultation has taken place with the members of the CIPB which includes Cabinet Members. The members of the CIPB have contributed to the preparation of the 2023/24 to 2027/28 Capital Strategy and Capital Programme. Consideration of the Capital Strategy by the Policy Overview and Scrutiny Committee is a key part of 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 2023/24 capital programme.

6.2 In overall terms, the planned programme for 2023/24 to 2027/28 totals £300.335m which is fully financed. The revenue consequences of the anticipated prudential borrowing of £213.308m 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 2023/24 and future years' capital funding.

10.3 In line with 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 potential achievement of savings which will materialise from services areas that benefit from digital change activity (i.e., demand reduction should enable cost reduction and / or productivity gain in the Customer environment, Business Support and Operational service areas).

**12. Property Implications**

12.1 The level of capital receipts generated from reductions in the corporate estate and the asset rationalisation programme is a major contributor to the financing of the capital programme. An aim of the Creating a Better Place programme – Asset Rationalisation theme is to maximise capital receipts while delivering outcomes that support corporate priorities.

**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 FLC-21-22

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 2023/24 to 2027/28