

**Report to Council**

**Capital Strategy and Capital Programme  
2017/18 to 2020/21**

**Portfolio Holder:** Cllr Abdul Jabbar, Deputy Leader and Cabinet Member for Finance and HR

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**Reason for Decision**

To set out the Capital Strategy for 2017/18 to 2020/21 and thereby the proposed 2017/18 Capital Programme, including identified capital investment priorities, together with the indicative Capital Programme for 2018/19 to 2020/21, having regard to the resources available over the life of the Programme.

**Executive Summary**

The Council's Capital Strategy and Capital Programme are set over a four year timeframe.

The proposed Capital Strategy and Programme for 2017/18 to 2020/21 takes the essential elements of the 2016/21 and previous years' strategies and programmes and moves them forward in the context of the financial and political environment for 2017/18.

In 2012/13, the Council began its investment programme to support a range of regeneration priorities and due to reprofiling of the delivery of some schemes, the programme has now been revised. Given the size of the regeneration programme, it is the main focus for Council spending within the period covered by this Capital Strategy.

Investment is mostly being financed or underwritten by prudential borrowing (pending confirmation of external funding). This requires revenue budget support, including increasing income streams from new developments. The 2017/18 revenue budget has been prepared to accommodate this with future years' projected costs included in the Medium Term Financial Strategy. The Council will be considering the next phase of capital investment during 2017/18.

The general downward trend in Government funding has been stemmed in recent years with the introduction of a number of new funding opportunities, some of which carry through to 2017/18 and beyond:

- Basic Need Formula funding, to create more school places up to 2019; £15.405m in 2017/18 plus a further allocation of £22.824m that was announced on 17 March 2016. The full utilisation of this grant is still to be determined. An additional funding allocation for 2019/20 is expected.
- It is anticipated that Better Care Funding in the form of the Disabled Facilities Grant (DFG) amounting to £1.618m will be received in 2017/18. As in previous years it remains a pooled budget linked into a joint programme of spending with the NHS. There is an additional Council financed top-up of £0.400m in each of the years of the programme for DFG and adult social care related spending.
- Early Years funding, to create additional capacity to deliver the provision of 15 hours per week of free early education, and the additional 15 hours subject to parents meeting eligibility criteria, amounting to £0.371m in total over 2016/17 and 2017/18.

On 23 December 2014 the Government announced that it would be providing local authorities in England (excluding London) with just under £6bn for the maintenance of local highways. Of this funding £4.7 billion was allocated according to a needs-based formula. The allocation is initially paid to the Greater Manchester Combined Authority and then re-allocated. The Oldham share of this allocation is £8.100m for the period 2017/18 to 2020/21.

The Council has also successfully bid for a number of highways and transport-related grants, some of which will be spent in 2017/18:

- Challenge Funding amounting to £3.160m, payable over the three years commencing 2015/16, with total grant spending of £1.952m planned in 2017/18. In January 2017, an opportunity arose to bid for additional Challenge Funding for 2017/18.
- Local Growth and Reform (Round 2) Funding, the total award of £4.970m was announced in August 2015. Total grant related spending planned for 2017/18 totals £1.014m.
- Flood Management Funding from the Environment Agency (Grant in Aid) of £0.435m is expected to be utilised in 2017/18.

February 2016 saw the formal confirmation of the 2016/17 Schools Condition Allocation grant at £1.860m. The most recent allocation is to be taken as indicative of the likely

award in the following year. However, a lower figure of £1.755m has been included in the capital programme for 2017/18 which acknowledges some funding will be lost as more schools convert to academy status. School's Devolved Formula Capital (DFC) funding amounting to £0.424m is also forecast, based on the allocation for 2016/17.

In preparing the 2017/18 to 2020/21 Capital Strategy, account has been taken of local issues, the increase and change in the nature of Government funding and continued uncertainty regarding the level of funding in future years. The principles of the Capital Strategy have therefore been prepared in the light of all available information. The Strategy includes a list of areas for potential future investment, subject to the availability of resources.

There is an unallocated sum of £7.400m in the capital programme for 2017/18 and a further £1.400m for 2018/19. The Council is keen to maximise the use of the resources it has available and undertake targeted investment in priority projects.

The Capital Investment Programme Board (CIPB) will continue as an advisory board, chaired by the Cabinet Member for Finance and HR, acting in the role of strategic lead for capital investment and providing a coordinated approach to the capital investment programme. The CIPB will continue to be supported in its work by the Strategic Regeneration Project Management Office which oversees the management and governance of strategic regeneration projects. The CIPB will consider and recommend the appropriate prioritisation of any unallocated resources during the remainder of the 2016/17 financial year and, if appropriate, into 2017/18.

In overall terms, the Capital Programme includes proposed expenditure for 2017/18 of £69.783m, with the largest area of expenditure being on development and infrastructure projects within Economy and Skills. Expenditure reduces to £55.961m in 2018/19, falling to £32.785m in 2019/20, and £9.442m in the final year of the current programme.

The main sources of funding are prudential borrowing and Government grants. The programme in 2017/18 relies on £32.233m of prudential borrowing. In addition there is £28.475 of Government grants, £6.221m of capital receipts, a sum of £0.106m from contributions from third parties and £2.748m of Housing Revenue Account resources. Future years are also predominantly reliant on prudential borrowing and Government grants.

It is, however, likely that the capital position will change prior to the start of 2017/18 and during the year:

- it is possible that there will be further Government funding allocations prior to the start of 2017/18.
- the outcome of specific grant bids will become known.
- it is likely that there will be additional initiatives announced.
- there may also be the opportunity to bid for additional funding e.g. transport initiatives.
- the Council may identify other funding sources, including capital receipts, to finance additional capital expenditure.

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

The proposed Capital Strategy and Capital Programme for 2017/18 to 2020/21 was presented for scrutiny to the Overview and Scrutiny Performance and Value for Money Select Committee on 26 January 2017. The Select Committee was content commend the report to Cabinet for approval. Cabinet duly considered and approved the report at its meeting on 20 February 2017 and commended the report to Council.

## **Recommendations**

That Council approves:

- i) The Capital Strategy for 2017/18 to 2020/21 at Appendix 1 of this report and summarised at section 2.1.
- ii) The Capital Programme for 2017/18 and indicative programmes for 2018/19 to 2020/21 at Annex C of Appendix 1 and summarised at section 2.2 of this report.

## Capital Strategy and Capital Programme 2017/18 to 2020/21

### 1. Background

- 1.1 The Council's Capital Strategy and Capital Programme are set over a four year timeframe. The proposed Capital Strategy and Capital Programme for 2017/18 to 2020/21 takes the essential elements of previous Capital Strategies and programmes and moves them forward in the context of the financial and political environment for 2017/18 onwards. The Capital Strategy is attached at Appendix 1, with the Capital Programme, which reflects the principles of the Strategy, attached as Annex C of Appendix 1.
- 1.2 The Council's investment programme to support a range of regeneration priorities was initiated in 2012/13 and, due to reprofiling of the delivery of some schemes; the programme has now been revised. Given the scale of investment, regeneration forms the main focus of Council spending within the period covered by this Capital Strategy. This investment is mostly being financed by prudential borrowing, which requires revenue budget support. The 2017/18 budget has been prepared to accommodate this, with future years' projected costs included in the Medium Term Financial Strategy. Other regeneration projects will be financed by new income streams. Whilst in the current financial climate this capital investment is a considerable sum, it reflects the Council's commitment to the regeneration of the borough. During 2017/18 the Council will be considering further capital investment plans that bring forward a new 5-10 year vision.
- 1.3 Prior to 2015/16, Government grant funding for capital expenditure had generally been reducing as a result of the austerity agenda and Councils have either had to finance capital expenditure from their own resources or curtail capital spending plans.
- 1.4 The general downward trend in funding has been stemmed in recent years with the introduction of a number of new funding initiatives, some of which carry through to 2017/18 and beyond. Grants have been awarded/anticipated for Education, Social Care and Transport projects.
- 1.5 The Government has also continued its policy of treating the majority of capital grants as un-ringfenced, reflecting its preference that Councils have increased local freedom and flexibility in the use of capital resources (although some of grants are awarded with an expectation of targeted spending). The availability and direction of Government resources still has a significant impact on the Council's Capital Strategy and Capital Programme.

## **Current Position**

### **2.1 Capital Strategy 2017/18 to 2020/21**

- 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. The plans are driven by the Corporate Plan (refreshed in 2015) which sets out the corporate objectives. All capital schemes should contribute to the achievement of these objectives.
- 2.1.2 The Capital Strategy must also align to the Council's Medium Term Property Strategy (MTPS) which is currently in the process of being updated to reflect the most recent service transformation changes and financial challenges. It sets out a framework for strategic management of the Council's land and property portfolio, reflecting corporate priorities, aims and objectives and driving transformational change in service delivery. Aligned to service priorities, individual schemes are included within approved capital spending plans or are to be considered for a resource allocation over the period of the Capital Strategy.
- 2.1.3 The Council is continuing to review the structure of the property function and anticipates making further changes which will improve the way in which the strategic property objectives can be delivered. This will enable the Council to accelerate progress and realise benefits within a shorter timeframe, whilst maximising regeneration and inward investment opportunities.
- 2.1.4 Oldham is part of the area covered by the Greater Manchester Combined Authority (GMCA). The GMCA works alongside the GMLEP (Local Enterprise Partnership) and they jointly own the Greater Manchester Strategy, which sets out a series of priorities to secure sustainable economic growth for the benefit of the conurbation and its residents. GMCA is continuing to develop an investment framework that complements the Greater Manchester (GM) Strategy as a means of identifying GM investment priorities. It is clear that the Oldham Capital Strategy must be consistent with and aligned to the GM Strategy and investment framework in order to secure resources and maximise the impact of its own capital investment. The Council's strategy has therefore been framed to complement the recently refreshed GM Strategy.
- 2.1.5 The Government has advised that, as a number of grant programmes distribute funding on the basis of bids as reward grants, it is unable to give access to all grant allocations in time for the preparation of the Capital Strategy. Government departments will provide information about further grant allocations as they become available.
- 2.1.6 The Capital Investment Programme Board (CIPB) will continue in its role as an Advisory Board chaired by the Deputy Leader and Cabinet Member for Finance and HR. The CIPB will make recommendations which can be approved under delegated powers as appropriate.

- 2.1.7 The Council will continue to utilise the Strategic Regeneration Project Management Office (PMO) to improve the management and governance of strategic regeneration projects and support the CIPB in ensuring that there is a thorough examination of all key issues in relation to the delivery and financing of a project. The CIPB will consider business cases, but having enhanced information from the PMO will help the CIPB make decisions based on more robust information.
- 2.1.8 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.
- 2.1.9 Having regard to the above and other relevant issues, the Council has established the 2017/18 to 2020/21 Capital Strategy around 16 key principles. These principles are highlighted in Section 2 of the Capital Strategy document at Appendix 1. They illustrate the importance of the role of the CIPB, include linkages to corporate and regional strategies, identify which resources will and will not be ring-fenced, the approach to matched funding that the Council will follow as well as priorities for investment.
- 2.1.10 The priorities for 2017/18 to 2020/20 are set out below with greater detail included in the Capital Strategy document at Appendix 1 (Section 3) but are summarised as:
- i) Continuation funding for existing programmes of work:
    - Corporate Major Repairs, Disability Discrimination Act (DDA) Adaptations, Legionella, Health and Safety Projects (Corporate Landlord Function)
    - Schools Condition Works.
  - ii) Further/new projects for which funding may be required:
    - Adult Social Care
    - Unforeseen/emergency Health and Safety works
    - Low Carbon and Energy Efficiency Initiatives
    - School Investment/ Pupil Places Pressures
    - Priority School Building Works Programme
    - Playing Pitch Strategy
    - Surplus Sites
    - Working with NHS Partners
    - AGMA GM Investment Fund Loans
    - Town Centre Regeneration
    - Borough-Wide Regeneration
    - Car Parking
    - Housing Initiatives
    - Equity Home Loans
    - Supported Housing for Adults With Complex Learning Disabilities

- Greater Manchester Devolution and Related Initiatives
- Partnership and Joint Working
- Matched Funding for Grant Bids
- Supporting the Council's Co-operative Ethos
- Refinancing of PFI and Public Private Partnership (PPP) type agreements.
- Warm Homes Oldham

2.1.11 The changes in Government policy with regard to the financing of major capital programmes, the un-ringfenced label being applied to funding (but carrying an expectation that the resource will be used for the purpose it was issued) and the limited ability of the Council to finance any further capital investment from its own resources, make it difficult to plan for new investment over the medium to longer term. Resources that are available are therefore being deployed not only to meet corporate priorities but also to meet the aspirations of residents. However consideration will be given during 2017/18 to a new 5-10 year capital investment vision.

## **2.2 Capital Programme 2017/18 to 2020/21**

2.2.1 The Council is required to set out its Capital Programme for the period 2017/18 to 2020/21 based on the principles of the Capital Strategy (as set out in Appendix 1). A four-year timeframe has been adopted. The Capital Programme and Capital Strategy have, at this stage, been prepared on the basis of grants known or anticipated at the time of preparation. If additional resources become available, projects that meet the Council's strategic capital objectives will be brought forward for approval.

2.2.2 Clearly, the Capital Programme for 2017/18 is influenced by the performance of the Capital Programme for 2016/17. A review has taken place of planned spending in 2016/17 and the programme has been re-profiled as necessary.

### **Update on the 2016/17 Capital Programme**

2.2.3 The Capital Programme for 2016/17 was approved at the Council meeting of 24 February 2016, with expenditure of £80.544m and supporting financing. This was supplemented by re-profiling of £3.596m from the previous year and has subsequently been amended month on month to reflect agreed changes. This includes the 2016/17 annual review of the Capital Programme, a comprehensive project by project scrutiny of the Capital Programme conducted by the Capital Investment Programme Board over the summer/autumn months.

2.2.4 The monitoring report for the 2016/17 to 2020/21 Capital Programme at month 8 (reported to Cabinet on 20 February 2017) includes capital expenditure totalling £53.685m for 2016/17 matched with corresponding financing. The Economy, Skills and Neighbourhoods programme, which include all the major regeneration projects, constitute the major area of expenditure (£44.584m) and prudential borrowing is the main source of financing (£19.053m).



2.2.5 The latest approved and the current re-profiled Capital Programme is set out in Table 1 below.

**Table 1 Revised 2016/17 Capital Programme**

| Directorate   | Capital Programme as at M08<br>£000 | New schemes/<br>Variations<br>£000 | Re-profiled Programme for Strategy<br>£000 |
|---|-------------------------------------|------------------------------------|--|
| <b>Expenditure</b>                                    |                                     |                                    |  |
| Corporate and Commercial Services                     | 3,002                               |                                    | 3,002                                      |
| Economy, Skills and Neighbourhoods                    | 44,584                              | 550                                | 45,134                                     |
| Health and Wellbeing                                  | 3,946                               |                                    | 3,946                                      |
| Housing Revenue Account                               | 1,603                               |                                    | 1,603                                      |
| Funds Yet to be Allocated                             | 550                                 | (550)                              | 0  |
| <b>Total Expenditure</b>                              | <b>53,685</b>                       | <b>0</b>                           | <b>53,685</b>                              |
| <b>Resources</b>                                      |                                     |                                    |  |
| Grants and Other Contributions                        | (19,277)                            |                                    | (19,277)                                   |
| Prudential Borrowing - General                        | (19,053)                            |                                    | (19,053)                                   |
| Revenue   | (1,697)                             |                                    | (1,697)                                    |
| Capital Receipts Required                             | (13,658)                            |                                    | (13,658)                                   |
| <b>Total Resources</b>                                | <b>(53,685)</b>                     |                                    | <b>(53,685)</b>                            |
| <b>Capital Receipts Available</b>                     | <b>(13,658)</b>                     |                                    | <b>(13,658)</b>                            |
| <b>Expenditure to be Funded from Capital Receipts</b> | <b>13,658</b>                       |                                    | <b>13,658</b>                              |
| <b>Over Programming / (Carry Forward) Position</b>    | <b>0</b>                            |                                    | <b>0</b>                                   |

2.2.6 As referred to at 2.2.3 above, Members will recall that there was a review of the Capital Programme undertaken during 2016/17, as in previous years, to ensure that planned expenditure is still relevant and that projects are aligned with corporate objectives. The Capital Programme for 2016/17 (and future years) reflects the results of the review.

2.2.7 It is anticipated that the position will 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.

## Capital Programme 2017/18 to 2020/21

2.2.8 The table below sets out the summary of the anticipated expenditure: £69.783m for 2017/18 and available financing of £69.783m, which incorporates resources carried forward from 2016/17. The detailed programme is set out at Annex C of Appendix 1 on a Portfolio basis.

**Table 2 Capital Proposals for 2017/18 to 2020/21**

| Proposed Capital Spending   | 2017/18<br>£000 | 2018/19<br>£000 | 2019/20<br>£000 | 2020/21<br>£000 |
|---|-----------------|-----------------|-----------------|-----------------|
| Corporate and Commercial Services                                 | 3,904           | 2,849           | 2,249           | 1,249           |
| Economy, Skills and Neighbourhoods                                | 53,113          | 51,112          | 29,936          | 7,593           |
| Health and Wellbeing  | 2,518           | 600             | 600             | 600             |
| Housing Revenue Account   | 2,848           | 0               | 0               | 0               |
| Funds Yet to be Allocated   | 7,400           | 1,400           | 0               | 0               |
| <b>Total Expenditure</b>  | <b>69,783</b>   | <b>55,961</b>   | <b>32,785</b>   | <b>9,442</b>    |
|   |                 |                 |                 |                 |
| <b>Total Funding</b>  |                 |                 |                 |                 |
| Balance of Resources available by year – over/(under) programming | <b>(69,783)</b> | <b>(55,961)</b> | <b>(32,785)</b> | <b>(9,442)</b>  |
| Cumulative Balance of Resources – over/(under) programming        | 0               | 0               | 0               | 0               |

## 2.3 Resources Available to Support the Capital Programme

2.3.1 The level of Government resources remains buoyant with a number of sizeable grants for 2017/18 and 2018/19. The main source of grant income remains education-related with Basic Need Formula funding allocations totalling £15.405m for 2017/18 and £22.824m for 2018/19. The School Condition Allocation grant has an indicative allocation of £1.755m for 2017/18.

The resources available to support the programme are described in more detail in the following sections.

### Government Grant Funding

2.3.2 The Government resources available to the Council can be split into two categories: un-ringfenced and ringfenced resources, as explained in Section 5 of the Capital Strategy.

2.3.3 Some Government grant resources have been moved between financial years in order to support re-profiled expenditure. Table 3 below summarises the level of un-ringfenced Government Grant resources available in 2017/18 and future years with Table 4 presenting ringfenced resources.

## Un-Ringfenced Grants

2.3.4 The 2017/18 allocations that the Council has had confirmed at this time are set out below:

- a) As advised above, the Education Basic Need allocation of £15.405m for 2017/18 remains as notified in February 2015, as does the allocation of £22.824m for 2018/19 as notified in March 2016. There have been no further announcements since that date although a further notification in 2017 for 2019/20 remains a possibility.
- b) Department for Transport (DfT) grant for Local Transport Plan (LTP) Funding has been formally confirmed as £2.180m for 2017/18. This funding is notionally allocated at an individual authority level but is paid to the Greater Manchester Combined Authority (GMCA), which determines the distribution of resources across the ten Greater Manchester Local Authorities and Transport for Greater Manchester. It is therefore assumed that the Council will receive its full allocation for the duration of the current programme, totalling £5.919m for the final three years of the programme. Whilst LTP funding is un-ringfenced, the DfT and the GMCA both have an expectation that it will be invested in delivering the Local Transport Plan strategy. The Council's policy is to passport transportation grant funding to support the LTP programme.
- c) The Department of Health has confirmed Better Care Funding in the form of the Disabled Facilities Grant (DFG) will continue in 2017/18 but as yet no allocation has been announced. Funding of £1.618m was received for 2016/17 and a similar sum is anticipated. As in 2016/17 it remains a pooled budget linked into a joint programme of spending with the NHS. There is an additional Council-funded top-up of £0.400m in each of the years of the programme to support DFG and adult social care related expenditure.
- d) In February 2016 the Department for Education announced details of the Schools Condition Allocation Grant. The Oldham allocation for 2016/17 was confirmed as £1.860m. Once again the most recent allocation has been taken as indicative of the likely award in the following year. Assuming that further Oldham schools will convert to academies and that associated funding will be lost, £1.755m has been included in the capital programme for 2017/18.

### Other Grants

2.3.5 In addition to specific 2017/18 grants, the Capital Programme relies on a range of grants carried forward from 2016/17 to support the overall level of planned spending. This includes those for which there are new allocations in 2017/18 plus grants carried forward from 2016/17 which are currently expected to be awarded in 2017/18. The current position as regards both is illustrated in table 3 below.

2.3.6 In the same way as for the LTP funding referred to above, it is the Council's policy to passport un-ringfenced grants directly to services, namely: Disabled Facilities Grant, Education Basic Need and Schools Condition Funding. This explains why they are included in table 3 rather than table 4. The grants are effectively treated as if they were ringfenced.

**Table 3 Un-Ringfenced Grants**

|  | 2016/17<br>C/Fwd<br>£000 | 2017/18<br>£000 | 2018/19<br>£000 | 2019/20<br>£000 | 2019/21<br>£000 |
|--|--------------------------|-----------------|-----------------|-----------------|-----------------|
| Basic Need Capital Grant                         | (2,506)                  | (15,405)        | (22,824)        |                 |                 |
| Local Transport Plan - Highway Maintenance Grant | (720)                    | (2,180)         | (1,975)         | (1,973)         | (1,973)         |
| Local Transport Plan – Grant                     | (223)                    |                 |                 |                 |                 |
| Disabled Facilities Grant                        | (187)                    | (1,618)         |                 |                 |                 |
| Schools Condition Allocation                     | (935)                    | (1,755)         |                 |                 |                 |
| Universal Infant School Meals (Kitchens)         | (115)                    |                 |                 |                 |                 |
| <b>TOTAL</b>                                     | <b>(4,686)</b>           | <b>(20,958)</b> | <b>(24,799)</b> | <b>(1,973)</b>  | <b>(1,973)</b>  |

#### **Ringfenced Specific Grants**

2.3.7 The Council has been notified of a number of ringfenced grants in previous financial years. The main grants are explained in the following paragraphs.

2.3.8 The full award of Highways Maintenance Challenge Fund was confirmed by the DfT on 18 June 2015. This was a three year allocation commencing 2015/16. The confirmed 2017/18 award of £0.906m is shown in table 4 below, together with the carried forward resource of £1.046m.

2.3.9 On 17 August 2015 the Authority was notified of a successful bid for Round 2 of Local Growth and Reform Funding in the sum of £4.970m. Of this sum £0.640m and £1.500m have been allocated to 2017/18 and 2018/19, and there are funds of £0.374m being carried forward from 2016/17.

2.3.10 Flood Management Funding from the Environment Agency has been allocated for 2015/16 and 2016/17 totalling £0.735m. Of this sum £0.435m will be carried into 2017/18 and utilised with Council matched funding.

2.3.11 The 2017/18 allocation of Schools Devolved Formula Capital (DFC) has been anticipated as £0.424m, along with £0.706m carried forward from 2016/17.

2.3.12 On 16 January 2017, the authority was notified of two successful bids for Early Year Capital Funding totalling £0.371m.

**Table 4 Ringfenced Specific Government Funding for 2017/18 to 2020/21**

|   | 2016/17<br>C/Fwd<br>£000 | 2017/18<br>£000 | 2018/19<br>£000 | 2019/20<br>£000 | 2020/21<br>£000 |
|---|--------------------------|-----------------|-----------------|-----------------|-----------------|
| Highways Maintenance Challenge Funding                | (1,046)                  | (906)           | 0               | 0               | 0               |
| Local Growth and Reform (Round 2) - Transport         | (374)                    | (640)           | 0               | 0               | 0               |
| Local Growth and Reform (Round 2) - Regeneration      |                          |                 | (1,500)         | 0               | 0               |
| Devolved Formula Capital (Schools)                    | (706)                    | (424)           | 0               | 0               | 0               |
| Flood Defence – Local Levy Fund                       | (117)                    |                 |                 |                 |                 |
| GM - Local Highways Flood Damage Fund                 | (365)                    |                 |                 |                 |                 |
| Grant in Aid  | (435)                    |                 |                 |                 |                 |
| Greater Manchester - Integrated Transport Block Grant | (115)                    |                 | 0               | 0               | 0               |
| Early Years Capital Fund                              |                          | (371)           |                 |                 |                 |
| <b>TOTAL</b>  | <b>(3,158)</b>           | <b>(2,341)</b>  | <b>(1,500)</b>  | <b>0</b>        | <b>0</b>        |

2.3.13 The resources available can also be split between those which do not have revenue consequences to be funded via the revenue budget, and those that do have revenue consequences.

#### **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. All Government funding is now via direct grant. In addition to the Government grants identified in tables 3 and 4 above it is anticipated that funding of £7.500m split over 2018/19 and 2019/20 will be received from other sources.

2) Capital Receipts

This is revenue received from the sale of Council assets and is usually un-ringfenced. It includes for 2017/18 to 2020/21, the First Choice Homes Oldham VAT Shelter arrangement and the commencement from 2017/18 of the repayment of maturing Local Authority Mortgage Scheme (LAMS) indemnities.

The 2017/18 Capital Programme requires the generation of £6.221m of capital receipts which exceeds the estimated actual income (including receipts brought-forward from 2016/17). In general it should be noted that a prudent approach is taken in relation to the anticipated level of receipts with no resources anticipated in excess of the requirement to support already approved schemes.

This is because the state of the property market which impacts on the:

- a) Ability of the Council to sell assets within the timescale anticipated.
- b) Level of receipts that can actually be generated, which may be less than originally expected.

## 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 programme which could not otherwise have been funded.

The 2017/18 programme estimates outright prudential borrowing of £32.233m that will be used to finance a range of schemes, predominantly in relation to development and infrastructure activities.

In addition, prudential borrowing has in the first instance been applied to underwrite grant applications and other contributions, including anticipated fundraising receipts. This borrowing may therefore not be required.

2.3.14 Table 5 below sets out the overall level of available resources by category for the period 2017/18 to 2020/21.

This shows that in total, funding for the Capital Programme in 2017/18 is £69.783m, with the majority of funding comprising the various categories of prudential borrowing referred to above.

There is £28.581m of Government grant funding and other contributions, an estimated income of £6.221m from planned capital receipts in 2017/18 plus a further £2.748m contribution from revenue resources.

**Table 5 Total Resources Available for the Capital Programme**

|                                   | 2017/18<br>£000 | 2018/19<br>£000 | 2019/20<br>£000 | 2020/21<br>£000 |
|-----------------------------------|-----------------|-----------------|-----------------|-----------------|
| <b>No Revenue Consequences</b>    |                 |                 |                 |                 |
| Capital Receipts                  | (6,221)         | (7,033)         | (2,880)         | (1,880)         |
| Council Resources Brought Forward |                 | (73)            |                 |                 |
| Grants and Other Contributions    | (28,581)        | (30,776)        | (7,664)         | (1,973)         |
| <b>Total</b>                      | <b>(34,802)</b> | <b>(37,882)</b> | <b>(10,544)</b> | <b>(3,853)</b>  |
| <b>With Revenue Consequences</b>  |                 |                 |                 |                 |
| Prudential Borrowing              | (32,233)        | (10,779)        | (22,241)        | (5,589)         |
| Other Revenue Contributions       | (2,748)         | (7,300)         |                 |                 |
| <b>Total</b>                      | <b>(34,981)</b> | <b>(18,079)</b> | <b>(22,241)</b> | <b>(5,589)</b>  |
| <b>TOTAL</b>                      | <b>(69,783)</b> | <b>(55,961)</b> | <b>(32,785)</b> | <b>(9,442)</b>  |

2.3.15 As in previous years, the major source of financing remains prudential borrowing; the amount required includes borrowing attributed to schemes that have slipped from prior years. The Council will look to reduce the amount of borrowing by maximising grant income, optimising income from capital receipts and the utilisation of reserves and provisions to deliver revenue savings in relation to the cost of borrowing. As previously indicated, some borrowing will be financed by increased

income and revenue streams generated at the point when projects are completed and become operational. In addition, the timing of the borrowing is linked to the cash position of the Council and may therefore not mirror the spending/financing profile set out above.

## **2.4 Capital Requirements for 2017/18**

### **Resources Committed in 2017/18 to 2020/21**

2.4.1 A review of the Capital Programme has highlighted that there is already a full range of commitments for the period 2017 to 2021. As a consequence, it has been necessary to reallocate £9m of town centre regeneration resources, but reprofile this to years outside this 4 year strategy, introduce £12m of resources financed by prudential borrowing (£5m in both 2017/18 and 2018/19 with £1m in both 2019/20 and 2020/21) and increase the utilisation of capital receipts to finance anticipated spending in 2019/20 (£2m) and 2020/21 (£1m). This funding has been used to support commitments including the Foxdenton development, ICT initiatives and the corporate property programme. This leaves funds yet to be allocated of £7.4m in 2017/18 and £1.4m in 2018/19. The capital commitments are set out in the follow paragraphs and are shown in detail at Annex C of Appendix 1 of this report.

2.4.2 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 and Commercial Services**

2.4.3 Total projected spending on Commercial Services projects is all ICT related and amounts to £3.904m in 2017/18 of which £0.249m relates to contractual commitments. Anticipated planned expenditure of £8.1m has been identified in the capital programme to support the ICT 'Digital Strategy' for 2017/2021.

### **Economy, Skills and Neighbourhoods**

2.4.4 There is planned expenditure of £53.113m in 2017/18, £51.112m in 2018/19, £29.936m in 2019/20, £7.593m in 2020/21 and a £9.000m commitment in future years predominantly relating to schemes financed by the ongoing capital investment programme. The major areas of expenditure in relation to 2017/18 are as follows:

- Resources available for major repairs/DDA and schools condition works have initially been set at £2.909m in 2017/18.
- Other priority regeneration schemes including Hollinwood/ Langtree and public realm totalling £2.427m.
- Royton Town Centre Developments at £2.194m.
- Further schools-related expenditure of £20.200m in 2017/18; £16.911m of which is to address the shortage of pupil places by expanding Crompton House, The Oldham Academy North and Greenfield Primary, with provision available to address further school place provisions. The majority of this expenditure is financed by Basic Need grant. This includes the Devolved Formula Capital

expenditure brought forward from 2015/16 of £0.767m, plus the 2017/18 assumed funding of £0.424m.

- Town centre and Boroughwide regeneration of £11.500m, including the Princes Gate and the Heritage Centre/Coliseum projects.
- Transport Schemes – Government Grant-Funded  
Grant funding totalling £2.180m has been notified for 2017/18, as summarised below. In addition grant funding of £4.406m, from a number of sources, originally allocated in prior years, has been re-profiled into 2017/18, some of which are detailed below.
  - LTP maintenance grant, in the sum of £2.180m has been confirmed in accordance with an agreement between the DfT and the GMCA, with a further £0.720 being rephased from 2016/17.
  - Challenge Funding amounting to £1.952m of the £3.160m, payable over the three years commencing 2015/16 has been allocated in 2017/18. This requires an amount to Council match funding which has been identified in overall capital programme.
  - Flood Management Funding from the Environment Agency; the 2017/18 allocation is £0.435m. This requires an amount of Council match funding which has been identified in the overall capital programme.
- Transport Schemes – Other  
Funding of £1.174m has been made available for fleet management in 2017/18, together with funding to support the infrastructure works for the Foxdenton Initiative.
- Private Sector Housing: this includes Equity Home Loans with provision of £0.417m in 2017/18, financed by capital receipts.
- Children, Young People and Families: this includes the Early Years Capital Fund with provision of £0.371m in 2017/18, financed by grant.

There are a range of other transport-related projects within the 2017/18 Capital Programme totalling £1.054m; all schemes have been re-profiled from 2016/17.

### **Health and Wellbeing**

2.4.4 Projected spending on Commissioning Services is £2.518m in 2017/18; this is focussed on Social Care. The major areas of expenditure in relation to 2017/18 are as follows:

- Resources of £0.400m are specifically allocated in 2017/18 to support local Adult Social Care Schemes.



- Funding of £1.728m relating to the expansion of the Disabled Facilities Grant (including rephasing of £0.110m).
- £0.200m per year over the life of the programme to finance a District Investment Fund to facilitate the initiating of a range of projects in District Partnership areas, along with £0.190m having been re-profiled from 2016/17.

## **2.5 Proposed Capital Programme**

2.5.1 Annex C of Appendix 1 of this report details the proposed 2017/18 Capital Programme and the indicative programme for the period 2018/19 to 2020/21. 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. There is currently an unallocated resource of £7.400m in 2017/18 and £1.400m in 2018/19, the recommended use of which will be prioritised by the CIPB, and, if applicable, carried forward into future years. There will therefore be no anticipated unallocated resources in the Capital Programme or Capital Strategy.

2.5.2 Total expenditure in 2017/18 is planned at £69.783m. However, the position is anticipated to evolve:

- There may be further Government funding allocations announced prior to the start of 2017/18.
- 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.

2.5.3 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 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 to accept the proposed Capital Strategy and Capital Programme as set out in this report, including priority investment proposals, and to thus approve the proposed Capital Strategy and Capital Programme for 2017/18 and the indicative Capital Programme for 2017/18 to 2020/21.

## **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 2017/18 to 2020/21 Capital Strategy and Capital Programme. Consultation also took place

with the Overview and Scrutiny Performance and Value for Money Select Committee on 26 January 2017. The Select Committee was content to commend the report to Cabinet. Cabinet duly considered and approved the report at its meeting on 20 February 2017 and commended the report to Council.

## **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 2017/18 Capital Programme.

6.2 As the Government now only funds capital expenditure by grant, there are no more supported or unsupported borrowing approvals which means that any revenue implications of Government borrowing will therefore relate to historic debt incurred in 2010/11 and earlier years. This is already budgeted for. The revenue budget for 2017/18 and future years has been prepared to include the financing costs of anticipated prudential borrowing.

## **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. Clearly, given the current economic climate, the sale of property has become more difficult and the level of receipts that can be generated has reduced, often below originally-planned levels. 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 un-funded ongoing legal liabilities, potential overspending requiring an un-budgeted allocation of resources and the general risks around the uncertainty over the nature and level of the 2017/18 and future years' capital funding.

**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 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 CFHR-14-16

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: | Anne Ryans  |
| Contact No:   | 0161 770 4902                                     |

20. **Appendices**

20.1 Appendix 1 – Capital Strategy 2017/18 to 2020/21