Report to Council

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

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Reason for Decision

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

Executive Summary

The Capital Strategy

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

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

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

- A high-level long-term overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services;
- An overview of how the associated risk is managed; and
- The implications for future financial sustainability.

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

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

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

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

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

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

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

In early February 2021, in response to the recent recommendation of the Public Accounts Committee and the substantial increase in commercial investment, CIPFA launched a consultation to consider proposals to strengthen the provisions within the Prudential Code for Capital Financing in Local Authorities. The areas that are proposed for strengthening are primarily linked to commercial investment. This Prudential Code consultation is aligned to a further consultation on The Treasury Management in Public Service Code of Practice. The consultation periods for both close on 12 April 2021. The Council will prepare a response to both consultations.

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

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

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

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

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

Capital Programme 2020/21 to 2024/25

The 2020/21 month 8 capital monitoring position approved at Cabinet on 23 February 2021 included expenditure projections that are a key determinant of the 2021/22 programme. As many schemes span more than one year, the anticipated level of reprofiling between years sets the underlying position.

The projected outturn spending position for 2020/21 is £81.013m. The People and Place Directorate which manages all of the major regeneration projects, constitutes the main area of expenditure. Grants and Other Contributions (£20.151m) followed by Prudential Borrowing provide the main source of financing (£53.553m).

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

Capital Programme 2021/22 to 2025/26

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

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

As at the month 8 capital monitoring position, the anticipated expenditure over the five year life of the 2020/21 to 2024/25 strategy was £404.630m, taking 2020/21 aside (£81.013m) leaves £323.617m for the remainder of the approved 2021/22 to 2024/25 capital programme. Following the refresh of existing strategies including Creating a Better Place, and moving forward the planning period by one year, the Capital Strategy for 2021/22 to 2025/26 totals £341.580m.

The capital programme includes proposed expenditure for 2021/22 of £86.002m, with the largest area of expenditure being on regeneration, schools, transport and infrastructure projects within People and Place Directorate. Total expenditure increases to £94.153m in 2022/23, then decreases to £71.418m, £62.553m and £27.454m in 2023/24, 2024/25 and 2025/26 respectively.

Resources Available to Support the Capital Programme

The Government is continuing to provide significant levels of grant funding. The main sources of grant income are the Highway Maintenance Grant at £10.980m, along with Education-related Basic Need Capital grant provision of £10.677m over the life of the programme. There are also considerable resources allocated to the Council via the GMCA including the Mayors Cycling and Walking Challenge Fund (£11.273m in 2021/22).

The grant funding provided by Government can be split into two categories: un-ringfenced and ringfenced resources, as explained in Section 10 of the Capital Strategy. The majority of capital Government Grant funding is un-ringfenced. Resources classified as ringfenced have to be utilised to finance particular categories of expenditure and therefore are restricted in their use. The 2021/22 capital programme relies on £11.459m of un-ringfenced and £24.210m of ringfenced grants.

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

On-going Review of the Capital Programme

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

- There may be further Government funding allocations announced prior to the start of 2021/22 including those related to the Towns Fund.
- The outcome of specific grant bids which will be announced during 2021/22.

- It is also likely that there will be new initiatives announced later in the financial year.
- There may also be the opportunity to bid for additional funding.
- The Council may identify other funding sources, including capital receipts, to finance additional capital expenditure.

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

Consultation

There has been consultation with the Members of the Capital Investment Programme Board on the proposed Capital Strategy and Capital Programme for 2021/22 to 2025/26. The consideration of the proposed Capital Strategy and Capital Programme for 2021/22 to 2025/26 by the Overview and Scrutiny Performance and Value for Money Select Committee on 28 January 2021 was a key element of the consultation process. The Select Committee was content to commend the report to Cabinet. The Cabinet considered the report at its meeting on 23 February 2021 and was content to commend the report to Council

Recommendations

Council approves:

i) The Capital Strategy for 2021/22 to 2025/26 at Appendix 1 of this report and summarised at section 2.1.

ii) The capital programme for 2021/22 and indicative programmes for 2022/23 to 2025/26 at Annex C of Appendix 1 and summarised at sections 2.2 to 2.6 of this report.

iii) The Flexible Use of Capital Receipts Strategy as presented at Annex D of Appendix 1.

Council **4 March 2021**

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

1. Background

1.1 In accordance with good practice, the Council has traditionally prepared a Capital Strategy, the overarching aim of which is to provide a framework within which the Council's capital investment plans will be delivered. This Capital Strategy for 2021/22 to 2025/26 has been prepared to cover an initial five year time-frame. Recognising that there is some uncertainty, especially in relation to funding in later years, the Strategy therefore focuses on 2021/22 and 2022/23 in detail.

1.2 The Strategy does however include a longer term vision, which also covers the time frame for 10 years from 2026/27 to 2035/36. This takes a forward look at those projects that are likely to run beyond the initial five year strategy and programme period.

1.3 The format of the Capital Strategy reflects the latest Prudential and Treasury Management Codes issued by 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 strategic policy objectives, governance procedures and how associated risks are managed;
- The implications for future financial sustainability.

1.4 This report therefore summarises the key elements of the Capital Strategy which are outlined in more detail at Appendix 1.

1.5 The report also presents the proposed 2021/22 to 2025/26 capital spending plans of the Council. This, taken together with an update on spending in 2020/21, has a significant influence over the profiling of expenditure into future years.

1.6 The proposed Capital Strategy and Capital Programme for 2021/22 to 2025/26 therefore takes the essential elements of previous Capital Strategies and programmes and moves them forward in the context of the financial, economic and political environment for 2021/22 onwards. The Capital Strategy is attached at Appendix 1, with the capital programme, which reflects the principles of the Strategy, attached at Annex C of Appendix 1.

1.7 In early February 2021, in response to the recent recommendation of the Public Accounts Committee and the substantial increase in commercial investment, CIPFA launched a consultation to consider proposals to strengthen the provisions within the Prudential Code for Capital Financing in Local Authorities. The areas that are proposed for strengthening are primarily linked to commercial investment. This Prudential Code consultation is aligned to a further consultation on The Treasury Management in Public Service Code of Practice. The consultation periods for both close on 12 April 2021. The Council will prepare a response to both consultations.

2 Current Position

2.1 Capital Strategy 2021/22 to 2025/26

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

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

Creating a Better Place Strategy

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

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

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

- Schools – A range of new build and school expansion schemes to ensure there are sufficient school places for the borough's children. Schemes include the provision of a new secondary school at Saddleworth and the expansion of North Chadderton school. The Creating a Better Place Strategy now encompasses schemes financed through Education Basic Need grant.
- New Homes – The aim of the Housing Strategy is to provide a diverse housing offer that is attractive and meets the needs of different sections of the population at different points in their lives and focusses on the dynamics between people, homes and the wider economy. A key strand of this approach remains the provision of a Flexible Housing Fund (FHF). This is a fund to support external partners and the Council to self-develop housing in less viable areas. It will ensure developments are brought forward and support the delivery of the required number of new homes within the borough. Investment in building new homes is a priority at key town centre sites and sites around the borough.

- Town Centre Regeneration – The Council continues to deliver considerable investment in the town centre with the recent acquisition of the Spindles and Town Square Shopping Centres. Plans are being created to redevelop the centre so it is not focused solely on retail. The centre's redevelopment will also release other town centre sites for repurposing including the provision of housing and additional green space. It will also help reduce corporate landlord costs and backlog maintenance liabilities which are reflected in the Council's revenue budget savings proposals.
- Borough-Wide Regeneration - The Council is investing in borough-wide regeneration initially via initiatives through housing and employment sites at Broadway Green, Hollinwood and Salmon Fields. All these sites are expected to advance further within the next five years. The Council will take advantage of suitable development opportunities throughout Oldham in order to advance its regeneration objective.

2.1.6 The Creating a Better Place programme incorporates £287.857m of schemes with £37.391m included within the 2020/21 programme and a further £250.466m over the period 2021/22 to 2025/26. The Creating a Better Place programme includes schemes in Children's Services, People and Place and Housing Revenue Account within the Capital Programme. The revised programme is forecast to achieve cumulative revenue savings of £8.2m per annum which are reflected in the Council's proposed revenue budget and medium term financial strategy. These savings largely rely on the completion of capital schemes which can take time to deliver meaning their realisation will occur in 2022/23 and 2023/24.

2.1.7 It is also hoped that the ambition set out within the Creating a Better Place Strategy will be supported with significant grant support from the Towns Fund and the Future High Streets Fund. At the time of preparing this report, the Council is still awaiting the outcome of a bid for resources from the Towns Fund but has been provisionally awarded £10.750m from the Future High Streets Fund. The funding awarded is £4.8m lower than the original bid meaning the Council will now engage with MHCLG to determine how to prioritise and allocate this provisional funding.

Supporting Strategies

2.1.8 Complementing the Creating a Better Place strategy is the Medium-Term Property Strategy (MTPS) review and the Housing Strategy for Oldham (approved by Cabinet in July 2019).

2.1.9 The MTPS and its implementation is key to the Council achieving both cost savings and a more efficient use of the corporate estate, contributing to the delivery of revenue budget savings and a reduced requirement for backlog maintenance as well as informing the development of an asset disposals programme to reduce Council holdings of surplus assets and generate additional capital receipts. In addition to Creating a Better Place, the MTPS is at the centre of numerous interdependencies including the One Public Estate Programme and Place-Based Working centred around providing services from five districts / hubs within the borough.

2.1.10 The Housing Strategy was developed in line with the Oldham Plan, the GM Spatial Framework and the GM Housing Strategy. The strategy recognises the function that housing plays in supporting health and social care integration and wider public sector reform. A key objective of the housing strategy has been to reset the housing delivery framework that can start to tackle the challenges identified in the evidence based Local Housing Needs Assessment and help meet the housing priority identified over the short, medium and long term.

The Principles of the Capital Strategy

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

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

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

Priority Areas for Investment

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

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

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

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

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

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

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

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

Supporting Greater Manchester Devolution and Accessing National Infrastructure Strategy Resources

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

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

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

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

Affordability, Delivery and Risk Associated with the Capital Schemes

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

Knowledge and Skills

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

Treasury Management

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

Long Term Loans

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

Other Non-Treasury Investments

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

Capital Resources to Support Capital Expenditure

2.1.27 Section 10 of Appendix 1 sets out the range of resources that the Council will rely on to support capital spending. In addition to prudential borrowing and Government grants, which together are the main financing source for the capital programme, the Council will, depending on the circumstances, consider using a range of resources and opportunities to finance capital expenditure and will continue to monitor the availability and suitability of alternative sources of financing. Financing decisions will, however, be made in the context of the schemes being considered for approval and the financial position of the Council at the time a decision is required.

2.1.28 This section also highlights the circumstances where capital receipts will be ringfenced to support specific purposes. This includes ringfencing of up to £2.000m to support the Council's use of flexibility in the utilisation of the capital receipts (see section 2.1.34).

Capital Investment and Disposal Appraisal

2.1.29 Section 11 of Appendix 1 advises that all capital investment will be commissioned on the recommendation of the CIPB which will enable any expenditure and its funding to be better aligned with corporate priorities, partners and funding sources. It also advises that the:

- Governance of the Council's land and property portfolio is provided via the Land and Property Protocols which form part of the Council's Constitution; and
- Corporate Property Board oversees the acquisition and disposal of land and property assets and monitors the progress of the asset rationalisation programme and performance of the investment portfolio.

The Prioritisation of Capital Requirements

2.1.30 Section 12 of Appendix 1 advises that once a bid for capital expenditure has passed through the Gateway process, has demonstrated that it meets Council objectives, and links to the Greater Manchester Strategy (if appropriate), and it has been agreed that it is suitable for capital investment, the strategic requirements will be prioritised using a range of criteria which are not mutually exclusive or in ranking order. Detailed in full at Section 12, these include:

- The relationship to mandatory, contractual or legislative service delivery requirements.
- Whether the project is required to achieve the delivery of a specific revenue budget saving within the revenue budget setting process.

The Procurement of Capital Projects

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

The Measurement of the Performance of the Capital Programme

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

The Capital Investment Programme Board

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

Flexible use of Capital Receipts Strategy

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

2.2 Capital Programme 2021/22 to 2025/26

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

2.2.2 Clearly, the capital programme for 2021/22 is influenced by the performance of the capital programme for 2020/21. A review has taken place of planned spending in 2020/21 and the programme has been re-profiled as necessary with future years estimates updated.

Update on the 2020/21 Capital Programme

2.2.3 The 2020/21 month 8 capital monitoring position approved at Cabinet on 23 February 2021 included projections that are a key determinant of the 2021/22 programme. As many schemes span more than one year, the anticipated level of reprofiling between years sets the underlying position.

2.2.4 The capital programme for 2020/21 was approved at the Council meeting of 26 February 2020, with expenditure of £147.632m and supporting financing. This has been reduced downwards throughout the year and has subsequently been amended month on month to reflect agreed changes. This includes the actions arising from the findings of the

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

2.2.5 The latest available capital monitoring position for the 2020/21 to 2024/25 Capital Programme at month 8 included projected capital expenditure totalling £81.013m for 2020/21 matched with corresponding financing. The People and Place Directorate which manages all of the major regeneration projects, constituted the main area of expenditure (£46.190m). Prudential Borrowing provided the main source of financing (£53.553m) followed by Grants and Other Contributions (£20.151m).

2.2.6 Actual expenditure to 30 November 2020 was £50.566m (62.42% of forecast outturn). This spending profile is in line with that of previous years, however the position will be kept under review and budgets will continue to be managed in accordance with forecasts.

2.2.7 The month 8 2020/21 capital spending and financing position is set out in the table below.

Table 1 - Revised 2020/21 Capital Programme

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

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

Table 2 - Capital Receipts Position

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

2.2.9 The revised capital programme requires the availability of £2.335m of capital receipts in 2020/21 for financing purposes. The total net usable capital receipts currently received in year is £1.438m. Members should to note that the first £2.335m call on capital receipts will be used to fund the Flexible Use of Capital Receipts which supports transformational expenditure and therefore impacts on the revenue budget (this was initially budgeted at £3.750m but it is forecast that £1.415m of Capital Receipts will not be obtained due to COVID-19). It is therefore highly unlikely that any capital receipts will be used to finance any projects other than the Flexible Use of Capital Receipts within the capital programme in 2020/21.

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

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

2.3 Proposed Expenditure for 2021/22 to 2025/26

2.3.1 The table below sets out the summary of the anticipated expenditure and matched financing of £341.580m, which incorporates resources expected to be carried forward from 2020/21. The proposed 2021/22 to 2025/26 programme reflects the 2020/21 month 8 position (summarised previously) together with an enhanced projection of expenditure for 2021/22 to 2025/26 incorporating anticipated spending on new initiatives and an allowance, at funding for emerging for new priorities to be supported. The detailed programme is set out at Annex C of Appendix 1 on a Portfolio basis.

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

Proposed Capital Spending	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000
Corporate Services	5,320	69	69	138	-
Children's Services	6,110	13,200	13,742	-	-
Communities and Reform	637	-	-	-	-
Community Health & Adult Social Care	3,409	400	400	1,100	-
Housing Revenue Account	3,412	8,127	7,914	1,150	-
People and Place	65,671	68,158	46,093	58,665	23,558
Funding for Emerging Priorities	1,442	4,200	3,200	1,500	3,896
Total Expenditure	**86,002**	**94,153**	**71,418**	**62,553**	**27,454**

Funding	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000
Ringfenced Grants	(24,210)	-	-	-	-
Un-ringfenced Grants	(11,459)	(3,993)	(8,971)	(1,973)	(1,973)
Capital Receipts	(3,999)	(7,178)	(2,502)	(1,661)	-
Other Resources	(51)	-	-	-	-
Prudential Borrowing	(42,871)	(74,856)	(52,031)	(57,769)	(25,481)
Revenue (HRA)	(3,412)	(8,127)	(7,914)	(1,150)	-
Total Funding	**(86,002)**	**(94,153)**	**(71,418)**	**(62,553)**	**(27,454)**

2.4 Resources Available to Support the Capital Programme

2.4.1 The Government is providing significant levels of grant funding. Some new funding initiatives have been introduced, some of which carry through to 2021/22 and beyond. Grants have been awarded/anticipated for Education, Social Care and Transport projects. The Council has not yet received all grant allocations for 2021/22. The grants will be incorporated into the capital programme when the notifications have been received.

2.4.2 The main source of grant income in 2021/22 is associated with the Transport Capital Programme. Included within the Transport budget are the ringfenced Mayors Cycling and Walking Challenge fund of £11.273m, Growth Deal 3 funding £4.932m, General Challenge Fund allocation of £4.134m and the unringfenced Highways Maintenance Grant of £3.268m. Within the schools capital programme are allocations for the School Condition Allocation of £3.706m which includes an indicative allocation of £1.291m for 2021/22 and Basic Need Capital grant of £1.479m. The resources available to support the programme are described in more detail in the following sections.

Government Grant Funding

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

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

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

Funding With No Revenue Consequences

1) Government Grants and other external grants and contributions

This is funding provided directly by Government or other external providers. It can be ringfenced, specific and un-ringfenced. Un-ringfenced resources are those that can be utilised to finance any project (albeit there is usually an expectation of use for a specific purpose). Resources classified as ringfenced have to be utilised to finance particular categories of expenditure and therefore are restricted in their use. The 2021/22 capital programme relies on £11.459m of un-ringfenced and £24.210m of ringfenced grants.

2) Capital Receipts

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

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

Funding With Revenue Consequences

1) Prudential Borrowing

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

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

2.5 Capital Requirements for 2021/22

Resources Committed in 2021/22 to 2025/26

2.5.1 A review of the capital programme has highlighted that there is already a full range of commitments for the period 2020/21 to 2024/25 with net funding allocations totalling £323.617m. This increases by £17.963m to £341.580m when considering the period 2021/22 to 2025/26. The table below shows the associated financing:

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

Financing	2020-2025 Capital Strategy Position (@ M08) £000	2021-2026 Capital Strategy Position (Proposed) £000	Movement £000
Prudential Borrowing	(229,221)	(253,008)	(23,787)
Capital Receipts	(32,202)	(15,340)	16,862
Revenue Contributions	(18,641)	(20,603)	(1,962)
Grants & Contributions	(43,553)	(52,629)	(9,076)
Total	**(323,617)**	**(341,580)**	**(17,963)**

2.5.2 As part of the Capital Strategy review process and in line with normal procedures, a review of the Capital Receipts forecast was conducted during 2020. Due to the impact of the COVID-19 pandemic on assets disposals, the Capital Receipts forecast was reduced significantly. As can be seen from the table above, the financing of the overall programme has resulted in a significant amount of Capital Receipts being removed from the programme and replaced by Prudential Borrowing. The revenue impact of this movement has been incorporated in the Council's MTFS.

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

Corporate Services

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

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

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

Children's Services

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

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

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

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

Communities and Reform Directorate

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

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

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

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

Community Health and Adult Social Care Directorate

2.5.8 There is planned Directorate expenditure of £5.309m phased over the 5 year programme as set out below:

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

	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000
Community Health and Adult Social Care Services Directorate	3,409	400	400	1,100	-

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

- Resources of £0.403m are specifically allocated in 2021/22 to support local Social Care Schemes.
- Indicative funding of £2.000m relating to the expansion of the Disabled Facilities Grant (in addition to re-phasing of £0.728m from 2020/21 and £0.278m arising from a late additional 2020/21 grant offer).

People and Place Directorate

2.5.10 There is planned Directorate expenditure of £262.145m over the period 2021/22 to 2025/26 as shown below:

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

	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000
People and Place Directorate	65,671	68,158	46,093	58,665	23,558

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

Table 10 – People and Places Directorate Expenditure 2021/22

Service Area	£000
Corporate Property	6,435
Environment	188
Information Technology	2,898
Neighbourhood Development Fund	213
Other Regeneration Priorities	5,924
Private Sector Housing	929
Royton Town Centre Development	300
Schools	289
Town Centre Regeneration	19,477
Transport including Fleet	29,019
TOTAL	**65,671**

2.5.12 The inclusion of the one off external funding in the Transport Capital programme, the Town Centre Regeneration and Other Regeneration priorities that fall within the Creating a Better Place Strategy account for the majority of the spend within the People and Place Directorate. These areas encompass a wide range of high priority schemes as detailed in Annex A of Appendix 1. It is, however, possible that some of this spending allocated to the Creating a Better Place Strategy maybe re-profiled as 2021/22 progresses.

Housing Revenue Account

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

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

	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000
Housing Revenue Account	3,412	8,127	7.914	1,150	-

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

Funding for Emerging Priorities

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

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

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

2.5.17 This unallocated resource can be deployed to support existing priority schemes or new initiatives, including those highlighted above for which not specific allocation exists, for example Greater Manchester Devolution and Related Initiatives and Matched Funding for Grant Bids.

2.3.18 This is considered a prudent approach to allow flexibility, revision and reassessment of priorities. Provision of £1.442m is available in 2021/22 with a further £12.796m available over the rest of the Capital Programme period.

2.5.19 The use of these unallocated resources will be prioritised by the CIPB including any realignment into future years. It is expected that all of these resources will be used over the life of the programme.

2.6 Proposed Capital Programme

2.6.1 Annex C of Appendix 1 of this report details the proposed 2021/22 Capital Programme and the indicative programme for the period 2022/23 to 2025/26. The strategy of the Council is to prepare a capital programme that balances over the life of the programme so that resources equal overall expenditure. Therefore, over the five years there is planned expenditure of £341.580 with corresponding financing.

2.6.2 Total expenditure in 2021/22 is planned at £86.002m. However, the in-year position is anticipated to evolve as:

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

2.6.3 Therefore the overall capital programme position will be kept under review and any new information about funding allocations will 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 2021/22 to 2025/26
b) Members suggest an alternative approach to capital investment for 2021/22 to 2025/26, including the revision of capital priority areas.

4. **Preferred Option**

4.1 The preferred option is 3.1 (a) that Council accepts the proposed Capital Strategy and Capital Programme for 2021/22 to 2025/26.

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 2021/22 to 2025/26 Capital Strategy and Capital Programme. Consultation also took place with the Members of the Overview and Scrutiny Performance and Value for Money Select Committee at the meeting of 28 January 2021. The Select Committee was content to commend the report to Cabinet without any revision. The report was presented to Cabinet at its meeting on 23 February 2021. Cabinet was content to commend 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 2021/22 capital programme.

6.2 In overall terms, the planned programme for 2021/22 to 2025/26 totals £341.580m which is fully financed. The revenue consequences of the anticipated prudential borrowing of

£253.008m is included within the estimates underpinning the proposed revenue budget and MTFS.

7. **Legal Services Comments**

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

8. **Co-operative Agenda**

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

9. **Human Resources Comments**

9.1 None.

10. **Risk Assessments**

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

10.2 Actual and potential revisions to Government policy present new risks. The Council must ensure that these are successfully managed, over and above those that are a consequence of any traditional capital programme. In particular these cover risks around expenditure that has already been committed in future years where there is no certainty of continued funding, potential unfunded ongoing legal liabilities, potential overspending requiring an unbudgeted allocation of resources and the general risks around the uncertainty over the nature and level of the 2021/22 and future years' capital funding.

10.3 Following the issue of the revised Prudential and Treasury Management Codes, a section on the risks associated with the Capital Programme must be included within the Capital Strategy document. The risk section can be found in Appendix 1, paragraph 5.13 to 5.17.

11. **IT Implications**

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

12. **Property Implications**

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

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

13. **Procurement Implications**

13.1 None.

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

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

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

15.1 None.

16. **Equality Impact Assessment Completed?**

16.1 Not applicable.

17. **Key Decision**

17.1 Yes

18. **Forward Plan Reference**

18.1 FG-14-20

19. **Background Papers**

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

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

20. **Appendices**

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

Appendix 1

Oldham Council

Capital Strategy 2021/22 to 2025/26

Capital Strategy 2021/22 to 2025/26

Contents

1 Aims of the Capital Strategy and its Links to the Council's Corporate Plan / COVID-19 Recovery Strategy, Creating a Better Place Strategy, Medium Term Property Strategy, Housing Strategy and Budget and Policy Framework

1.1 In accordance with good practice, the Council has traditionally prepared a Capital Strategy, the overarching aim of which has been to provide a framework within which the Council's capital investment plans will be delivered. This Capital Strategy for 2021/22 to 2025/26 has been prepared to cover a five year timeframe to allow a sufficient opportunity for strategic capital planning. In normal circumstances, capital planning and revenue planning would align around Medium Term Financial Strategy (MTFS). However, given the uncertainty caused by the COVID-19 pandemic, the overarching MTFS has been reduced to a 3 year planning period. Recognising the increased uncertainty that COVID-19 has caused and that funding in later years is always indicative, this Strategy therefore focuses on 2021/22 and 2022/23 in detail.

1.2 The Strategy does however include a longer term vision, which also covers the time frame for 10 years from 2026/27 to 2035/36. This takes a forward look at those projects that are likely to run beyond the initial five year strategy and programme period.

1.3 The format of the Capital Strategy reflects the requirements of both the latest Prudential Code for Capital Finance in Local Authorities and Treasury Management in Public Services Code issued by The Chartered Institute of Public Finance and Accountancy (CIPFA). The strategy therefore presents:

- A high-level long term overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services;
- An overview of how the associated risk is managed;
- The implications for future financial sustainability.

1.4 The Capital Strategy is therefore prepared to ensure that all Council Members are presented with the overall long-term capital investment policy objectives and resulting Capital Strategy requirements, governance procedures and risk appetite.

1.5 This Capital Strategy, which incorporates specific information on non-treasury investments, is aligned to, but reported separately from the Treasury Management Strategy Statement. This ensures the separation of any commercial investment (now not a core part of the Councils capital plans), usually driven by expenditure on an asset, from the core treasury function which operates under the principles of security of capital, liquidity, yield and an ethical approach.

1.6 Specifically in relation to non-treasury investments, the Capital Strategy includes, where appropriate:

- The corporate governance arrangements;
- Any service objectives relating to the investments;
- The expected income, costs and resulting contribution to support the Council's budget;
- The debt related to the activity and the associated interest costs;
- The payback period (Minimum Revenue Provision policy);
- For non-loan type investments, the cost against the current market value; and
- The risks associated with each activity.

1.7 CIPFA's Prudential Code requires the Capital Strategy to demonstrate the concept of proportionality between the treasury operations and the non-treasury operations. High-level indicators are referred to in Section 5.

COVID-19 Pandemic

1.8 During 2020/21, the COVID-19 pandemic has had a major impact on the borough, its residents and the economy. The financial year 2021/22 will begin, at least, with a COVID-19 influence. It is expected, now that several vaccines are available, that normal activities will be resumed over a period of time and the Councils capital spending plans which have inevitably been interrupted in 2020/21, can get back on track during 2021.

1.9 The financial position of the Council has also been significantly impacted by COVID-19 leading to much higher revenue spending that initially envisaged for 2020/21 and an increase to the budget reduction target required to balance the 2021/22 budget as outlined in the Revenue Budget report. A review of the capital programme was undertaken when preparing this strategy, not only to ensure that it reflected the most up to date forecasts, but also to see if there were opportunities to alleviate some of the revenue budget pressures of the Council. The reprofiling of planned capital spending in accordance with current projections has facilitated a revision to estimated capital financing costs for 2021/22 of £2.150m.

1.10 The pandemic has presented significant challenges for the feasibility, design and delivery of capital projects. As well as practical issues associated with maintaining safe working arrangements, supply chains and similar issues, it has been necessary to revisit significant elements of the strategy to ensure the priorities for capital investment remain appropriate in the context not only of the Council's challenging financial position but having regard to the potential longer-term impact of pandemic on the economy and the potential for behavioural changes in work and transport needs as well as retail and leisure pursuits. Following a fundamental review prompted largely by the impact of the pandemic but also having regard to the Governments Consultation on the lending terms of the Public Works Loan Board (as outlined at 1.11), Cabinet of 24 August 2020 approved a refreshed Creating a Better Place Strategy which resulted in some re-profiling of schemes. This has helped to shape the capital programme for 2021/22 onwards and placed more emphasis on economic growth and the regeneration of the Borough in a post-COVID environment.

Public Works Loan Board Lending Criteria

1.11 In preparing the Capital Strategy for 2021/22, it was important to consider the publication by HM Treasury in March 2020 of a consultation document seeking views on proposed changes to the lending terms of the Public Works Loan Board (PWLB). The PWLB supports Local Authority capital investment by offering access to low cost debt financing. The Government launched the consultation as it was concerned that PWLB resources were being used to fund commercial investments solely for income generation purposes and carried a significant degree of risk. To address this issue, the consultation proposed revising the terms of PWLB lending to ensure that Local Authorities continue to invest in housing, infrastructure, and public services whilst discouraging investment solely for income generation purposes. The Council provided its response to the consultation in July 2020.

1.12 Alongside the 2020 Spending Review in November 2020, the Government largely confirmed the proposals set out in the original consultation meaning there would be stricter conditions associated with the approval of PWLB loans to Local Authorities. The PWLB will now no longer provide loans to a Local Authority if their Capital Strategies include any plans to buy investment assets primarily for income generation.

1.13 These new terms apply to all loans arranged on or after 26 November 2020. Further guidance has been provided to help Local Authorities determine whether a proposed project meets the new lending criteria. The key features of the new lending terms are:

- As a condition of accessing the PWLB, Local Authorities will be asked to submit a high-level description of their capital spending and financing plans for the following three years, including their expected use of the PWLB borrowing. This will clearly align to the Council's approved capital strategy;
- As part of this process, the PWLB will ask the Director of Finance (Section 151 Officer) to confirm that there is no intention to buy investment assets primarily for yield at any point during the next three years. This assessment must be based on the Director of Finance's professional interpretation of guidance issued alongside these lending terms.
- As it is impossible to reliably link individual loans to specific capital spending, this restriction of purchasing investment assets primarily for yield applies on a 'whole plan' basis. This means that the PWLB will not lend to any Local Authority which plans to buy investment assets primarily for yield anywhere in their Capital Strategy, regardless of whether the transaction would notionally be financed from a source other than the PWLB.
- When applying for a new loan, the Local Authority will be required to confirm that the plans they have submitted remain current and provide assurance that they still do not intend to buy investment assets primarily for yield.
- If HM Treasury has concerns that a loan may be used in a way that is incompatible with HM Treasury's duties to ensure that public spending represents good value for money to the taxpayer, it will contact the Local Authority to gain a better understanding of the situation. Should it transpire that a Local Authority has deliberately misused the PWLB, HM Treasury has the option to suspend access to the PWLB, and in the most extreme cases, to require that loans be repaid.

1.14 The Government will monitor the implementation of these reforms to make sure that the new lending arrangements are operating as intended. The Ministry of Housing, Communities and Local Government (MHCLG) is reviewing the effectiveness of the Local Government borrowing and investment framework, and is developing options to intervene directly where there are concerns that Authorities are not complying with the intent of the Prudential regime. Any future amendments that effect the Council's Capital Strategy will be reported to Members at the appropriate time.

1.15 As a result, the Council's Commercial Property Investment Strategy and Fund (approved December 2019) is now incompatible with the policy of Central Government which effectively prohibits the use of funding from the PWLB for the acquisition of assets for the purpose of generating income/ yield. Whilst it remains critical that capital projects are financially viable, the business case for all such activities must be wholly justified in terms of policy and service objectives rather than simply a means of generating additional revenue. The Councils Capital Strategy and programme for 2021/22 to 2025/26 have been framed around accessing PWLB resources.

1.16 In early February 2021, in response to the recent recommendation of the Public Accounts Committee and the substantial increase in commercial investment, CIPFA launched a consultation which proposes to strengthen the provisions within the Prudential Code for Capital Financing in Local Authorities. The areas that are proposed for strengthening are primarily linked to commercial investment. This Prudential Code consultation is aligned to a further consultation on The Treasury Management in Public Service Code of Practice. The consultation periods for both close on 12 April 2021. The Council will prepare a response to both consultations.

Co-operative Council

1.17 The 2021/22 to 2025/26 Capital Strategy is influenced by the principles which shape the overarching budget process for 2021/22 and is driven by the ethos of a Co-operative Council which has been important in determining the Council's response to the pandemic. 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 recent acquisition 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 will be key to economic and social recovery from the COVID-19 pandemic.

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 from 2018/19 to 2020/21. The position in relation to 2021/22 is being kept under review given the pandemic and its impact on the economy.

1.18 The Council will continue to:

a) Work with partners as a co-operative and commissioning borough particularly with regard to the integration of health and social care to take advantage of joint investment opportunities, co-location and the release of surplus assets through initiatives such as One-Public Estate and by taking a Place-Based approached to joint working.

b) Instigate further transformational approaches to the delivery of services with and by communities and staff, that maximise involvement and delivery at a more local level, working with residents to reset priorities, manage expectations and promote self-help.

c) Get the basics right, drive improved business performance with more flexible ICT systems and instigate new delivery models with place-based working.

d) Focus on effective service delivery, achieving social value and maximising the impact of the resources invested.

The Council's Corporate Plan / COVID-19 Recovery Strategy

1.19 Capital investment plans are driven by the Council's Corporate Plan. The Corporate Plan is the Council's key strategic document and outlines the Council's contribution to achieving the vision and outcomes detailed in the Oldham Plan, as well as priority areas of focus and delivery aimed at taking forward our vision of a co-operative future where everyone does their bit to create a confident and ambitious borough. All capital investment proposals will therefore be evaluated in accordance with a range of criteria, a key one of which is the contribution to the delivery of the aims of the Corporate Plan.

1.20 Oldham's current Corporate Plan expired in December 2020. Work to refresh the Corporate Plan was due to be completed by summer 2020. However, the impact of the COVID-19 pandemic meant that this was no longer viable. Instead, the Council is developing a COVID-19 Recovery Strategy which will act as an interim Corporate Plan until at least 2022. The timescale for finalising the revised plan is currently spring 2021.

1.21 As a Co-operative Council, Oldham is committed to tackling the impact of COVID-19 and protecting our most vulnerable residents and communities. The steps being taken to tackle the pandemic and the subsequent recovery planning, aim to support people, especially those groups who are often most impacted.

1.22 Building on the learning so far and the anticipated events to come, a comprehensive recovery strategy and suite of priorities is under development, which will help shape the approach and vision for Oldham over the next eighteen months. This work will be undertaken alongside the Council's immediate response to the pandemic which is focused on safeguarding Oldham's residents.

1.23 The objectives and approach to the recovery strategy are rooted in the Oldham Model to ensure that in a changing world Oldham builds Thriving Communities, an Inclusive Economy and works Co-operatively.

1.24 The Oldham Plan is the Oldham Partnership's plan for the borough and was endorsed by Council in July 2017. It is a collective action statement covering the period 2017-2022 and sets out the areas where the Oldham Partnership will add the most value as a partnership to achieve the ambition for Oldham to be a productive and co-operative place with healthy, aspirational and sustainable communities. The three key strands underpinning the plan and Oldham Model are:

- **Inclusive Economy**
  The vision is for Oldham to become Greater Manchester's Inclusive Economy capital by making significant progress in living standards, wages and skills for everyone.

- **Thriving Communities**
  The vision is for people and communities to have the power to be healthy, happy and able to make positive choices and both offer and access insightful and responsive support when required.

- **Co-operative Services**
  The vision is to collaborate, integrate and innovate to improve outcomes for residents and create the most effective and seamless services in Greater Manchester.

1.25 Pending the finalisation of the COVID-19 Recovery Strategy, the Capital Strategy will roll forward existing priorities whilst taking account of the review of existing programmes and service strategies such as Creating a Better Place. The strategy will also take account of new or potential additional funding streams and accommodate adjustments where schemes need to be re-phased or re-scoped in response to the pandemic.

1.26 Having regard to the requirement for the demonstration of the delivery of corporate and service priorities, individual scheme proposals will only be included within approved capital spending plans or considered for a resource allocation over the period of the Capital Strategy where this is considered appropriate in the context of the Medium Term Property Strategy and the revised Creating a Better Place Strategy.

Creating a Better Place Strategy

1.27 In December 2019, Cabinet approved the Creating a Better Place strategy. This was a new prioritisation strategy and vision for the borough which 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 set out the potential to deliver 2,000 new homes in the town centre, 1,000 new jobs and 100 new opportunities for apprenticeships and aligned with Council priorities to be the greenest borough.

1.28 In January 2020, Cabinet approved a further report which confirmed 'Creating a Better Place' as the comprehensive vision and strategic framework for the borough and the approach to accelerating the delivery of the ambitions for Oldham in ways that contribute to a reduction in carbon in support of the Green New Deal.

1.29 On 24 August 2020, Cabinet approved a revised vision and strategic framework for 'Creating a Better Place' which puts more emphasis on economic recovery and accelerating the potential for generating revenue budget savings. The report was the culmination of a fundamental review of the programme which commenced in April 2020 close to the start of the pandemic.

1.30 As well as placing a greater emphasis on supporting the local economy both during and beyond the pandemic and generating savings, the review took account of the proposed revisions to PWLB lending criteria which signalled a clear intent to discourage Local Authority commercial investment activities primarily designed to generate additional income/yield. As previously mentioned, the revised lending criteria were subsequently confirmed and came into effect on 26 November 2020.

1.31 Following approval of the August report, around £90m of schemes which were primarily associated with corporate property investment activities or which would not make a sufficient contribution to strategic objectives were removed from the programme. A consequence of the need to remove such schemes is a reduction in the forecast for revenue savings generated by the programme from a cumulative £10.5m over a 3 year timeframe to £8.2m (as included in the Council's 2021/22 Revenue Budget and MTFS). As these savings largely rely on the completion of capital schemes which can take time to deliver, their realisation will build up to significant benefits in 2022/23 and 2023/24.

1.32 Additionally, it is hoped that the ambition set out within the Creating a Better Place Strategy will be supported with significant grant allocations from the Towns Fund and the Future High Streets Fund. The Towns Fund is a major strand of the Governments National Infrastructure Strategy, its response to building back better from COVID-19, which should provide many opportunities for the Council to access new capital resources over the next few years. At the time of preparing this strategy, the Council is still awaiting the outcome of a bid for resources from the Towns Fund but has been provisionally awarded £10.750m from the Future High Streets Fund. The funding awarded is £4.8m lower than the original bid meaning the Council will now engage with MHCLG to determine how to prioritise and allocate this provisional funding.

1.33 In alignment with Creating a Better Place, existing and new projects have been reprioritised and reprofiled (as presented within the Capital Strategy). In addition, targets are being revised, project delivery arrangements and team working has been enhanced and governance arrangements have been consolidated around the operation of the Corporate Property Board.

Medium Term Property Strategy

1.34 In August 2018, the Council adopted a Medium Term Property Strategy (MTPS). This, at a high level, incorporates a detailed Asset Management Plan for every group of assets the Council has. This plan was agreed at Cabinet for the term 2018 to 2022.

1.35 For any organisation such as the Council, with a diverse property portfolio, best practice recommends that the Property Strategy describes the general direction that the organisation's property portfolio will take over the next 5-10 years, the approach to be adopted in getting there and the policies that will be applied to decision making. The Property Strategy presents such a vision and reflects the operational and business strategy of the organisation.

1.36 The MTPS and its implementation is key to the Council achieving both cost savings and a more efficient use of the corporate estate, contributing to the delivery of approved and proposed budget reductions.

1.37 Given the impact of the COVID-19 pandemic on current and future demand for property, the MTPS is currently under review. The MTPS is also at the centre of numerous inter-dependencies which will also shape future requirements including:

- The revised Creating a Better Place Strategy (see above);
- The One Public Estate programme which seeks to deliver ambitious property-focused programmes in collaboration with Central Government and other public sector partners;
- Place-Based Working centred around providing services from five districts / hubs within the borough.

1.38 In addition to facilitating the delivery of revenue budget savings, another objective of the property strategy is to reduce the requirement for backlog maintenance and inform the development of an asset disposals programme to reduce Council holdings of surplus assets and generate additional capital receipts.

1.39 The COVID-19 pandemic has undoubtedly had a major adverse impact on the economy, and this has inevitably disrupted the Council's asset disposal programme. Alongside the MTPS, the Council is currently reviewing its disposal programme to focus on 'fast tracking' a smaller number of assets for sale focusing on those with high management intensity and longer term liabilities/risks.

Housing Strategy

1.40 The Housing Strategy was introduced in 2019. It was developed in line with the Oldham Plan, the GM Spatial Framework and the GM Housing Strategy. It recognises the function that housing plays in supporting health and social care integration and wider public sector reform. A key objective of the development of the new housing strategy has been to reset the housing delivery framework that can start to tackle the challenges identified in the evidence based Local Housing Needs Assessment and help meet the housing priorities identified over the short, medium and long term. It is a strategic document to help shape the future service models and seeks to set housing and place shaping at the heart of the Oldham Partnerships collective vision for the borough.

1.41 Together with the launch of the new Housing Strategy, a Strategic Housing Partnership was also developed whereby the Council works collectively with key stakeholders to achieve the goals identified within the Housing Strategy Delivery plan.

1.42 The Housing Strategy:

- Enables the Council to determine priorities in each district or local housing market area as defined by the Local Housing Needs Assessment evidence base;
- Informs bids for both public and private funding to support the development of new homes in Oldham;
- Supports the Council and its partners to make more informed People and Place making decisions about the targeting and future integrated commissioning priorities under, for example, the already integrated care organisation (Oldham Cares) and underpins external funding bids to support investment in existing housing services and stock in Oldham;
- Enables the Council to focus and develop new policies and ways of working that better fit the operating environment; and
- Informs the Council to progress its energy conservation work, and to satisfy the Council's obligations under the Home Energy Conservation Act.

1.43 Delivery of Housing Strategy objectives has undoubtedly been disrupted by the COVID-19 pandemic. However, in line with the refreshed Creating a Better Place Strategy, work is underway to develop and deliver a programme of town centre housing development currently focused on the identification and assembly of suitable residential development sites. Work is also underway to determine a suitable delivery model for such development.

Working with Partners

1.44 The Council is a key member of and a driving force in the activities of the Oldham Strategic Estates Group (SEG). The Department of Health initially required all Clinical Commissioning Groups (CCG) to establish a SEG within their locality, and whilst the group initially had a 'Health' focus, this has been broadened to encompass a 'One Oldham Estate' approach, closely aligned to the Government's One Public Estate (OPE) principles which in essence seek to maximise the efficient use of the public sector estate by co-location/joint service delivery, releasing surplus land and property to support regeneration, residential development and inward investment. The Oldham SEG has a 'strategic' rather than 'operational' focus and has developed a Strategic Estates Plan (SEP), identifying development of integrated public sector hubs and mapping existing estate and utilisation as key priorities. The SEP is closely aligned to and supports delivery of Oldham's Locality Plan for Health and Social Care.

1.45 The Strategic Estates Group (SEG) in Oldham is attended by representatives from a wide range of public sector partners, including the Clinical Commissioning Group (CCG), NHS Property Services Ltd (NHSPS), Greater Manchester Police (GMP), North West Ambulance Service (NWAS), North West Fire Service (NWFS), Community Health Partnerships (CHP), Action Oldham, and Pennine Care NHS Foundation Trust. The SEG is supported by the Operational Working Group which functions as the 'delivery arm' to ensure that the SEG remains strategic and One Public Estate focused. It reports to the SEG on key work areas, such as the project pipeline and increasing building utilisation.

2 The Principles of the Capital Strategy

2.1 The Capital Strategy is guided by a series of overarching principles. These principles seek to ensure capital resources are focused on gaining maximum benefit from their use in the context of supporting the delivery of the Council's vision and outcomes as described in the Corporate Plan. The principles of the Capital Strategy are summarised in paragraphs 2.2 to 2.17 and detailed in the rest of the document.

2.2 The Capital Investment Programme Board (CIPB) will lead the strategic direction of capital investment for the Council. The CIPB will operate on a commissioning basis. This will enable funding to be better aligned with other partners and funding sources and will link into the principles of the Co-operative Council. In accordance with the commissioning approach being championed within the Council, there continues to be a requirement for links to regional strategies and programmes. As such, the Council must ensure that, when it applies for funds on a regional basis (either individually or as part of a collective bid), it uses its best endeavours to reflect local and regional priorities. The Council must therefore ensure that its Capital Strategy complements the Greater Manchester (GM) Strategy.

2.3 All schemes already approved in the Capital Programme or contractually committed will be supported and sufficient resources will be provided to enable them to proceed or complete. These schemes are presented in Annex A, Priority Areas for Investment.

2.4 A capital project sponsor must also be able to demonstrate that a rigorous process of options appraisal has been followed, requiring evidence of need, cost, risk, outcomes and methods of financing. Capital investment proposals which will result in a revenue cost saving or efficiency are encouraged. The Strategic Regeneration Project Management Office has a clear role in ensuring that all the key requirements have been addressed at the initiation stage of a project.

2.5 All capital investment decisions will be made with reference to Council objectives and regional strategies and, only after a positive contribution to one or more of the objectives has been demonstrated, is a project to be considered for resource allocation.

2.6 The CIPB will ensure that the Council can take full advantage of the freedom and flexibility afforded by the removal of ringfencing from most funding allocations to facilitate achievement of the Council's objectives. All un-ringfenced capital funding and other non-specific Council capital resources that are not required to support existing commitments will initially be pooled into one central fund. Regard will, however, be had to obligations around the:

a) COVID-19 Recovery Strategy and associated initiatives to create jobs and assist the regeneration of the local economy;
b) Transport agenda and transport grant funding;
c) Current pressure on primary and secondary school places in certain areas of Oldham and the lack of capacity in the current school stock and the Education Basic Need Government grant funding allocation to address such issues;
d) Funding of adaptations to homes for the disabled and Disabled Facilities Grant funding;
e) Social Care funding requirements arising from pooled funding arrangements; and
f) Implementation of the Housing Strategy.

2.7 Un-ringfenced grants received in support of the above initiatives will be passported in full to these six areas.

2.8 There will be no ringfencing of capital receipts to specific projects, with the exception of those detailed in section 10.3.17.

2.9 For the purposes of preparing the Capital Strategy and Capital Programme for 2021/22, an assumption has been made that all resources that remain unallocated within the 2020/21 programme will be treated as though they are fully committed and carried forward into 2021/22 as a central pool for reallocation to other projects.

2.10 The Capital expenditure/investment plans of the Authority will be prepared to ensure the Council is able to access PWLB resources having regard to the revised lending criteria applicable from November 2020.

2.11 As well as using traditional funding mechanisms to finance capital schemes, the Council will also consider the use of alternative financing arrangements and develop these options if it is considered financially advantageous in the context of the Council achieving its capital investment objectives.

2.12 Any public/private partnerships and initiatives requiring the deployment of Council capital resources or impacting in any way on the overarching capital investment policies or plans of the Council should be presented for consideration to the CIPB. The resources deployed to support such projects will also be subject to on-going review by the CIPB.

2.13 The Council is aware that the Government could, in the future, introduce a range of grant funding opportunities for which bids must be submitted at short notice, some of which may have a matched funding requirement. This will include new and existing opportunities under the National Infrastructure Strategy including the £4bn cross departmental Levelling Up Fund. The Council will respond as it considers appropriate to bidding opportunities, ensuring that bids are submitted which align with its objectives and capital investment priorities and that matched funding requirements are considered on a scheme by scheme basis with resource requirements prioritised accordingly.

2.14 The development of new or replacement schools will be led by the Education and Skills Funding Agency (ESFA) and such schools will be created as academies. Mindful of its overarching responsibility for the provision of education, where necessary, the Council will support or enhance ESFA projects using its land assets and/or financial resources.

2.15 Given the devolution agenda and the collaborative way in which the Council is working with the Greater Manchester Combined Authority (GMCA) and NHS partners, bids to the GMCA, the NHS or other organisations which may have a matched-funding requirement will be prioritised. Regard will be had during the appraisal process to ensure that the Council's objectives and capital investment priorities are achieved.

2.16 As the Council moves towards integration with Oldham CCG and other NHS partners, the Council will prioritise the allocation of capital resources to support cross sector projects including facilities for joint service provision and the co-location of teams, with any consequent asset rationalisation.

2.17 The Council will have a range of capital investment priorities. Whilst these are initially determined on an annual basis, it will review and update the priorities in accordance with in-year developments, responding to local and national emerging issues. The priorities for 2021/22 to 2025/26 are set out in Section 3.

3 Priority Areas for Investment

3.1 The priority investment areas identified for the 2021/22 to 2025/26 period are covered below. This section highlights potential priority investment areas for 2021/22 onwards. These will be taken forward subject to the availability of resources and the approval of a full business case.

3.2 As part of the annual Capital Strategy, there is a requirement for continued funding of existing programmes of work on:

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

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

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

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

3.5 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.

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

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

4 Supporting Greater Manchester Devolution and Accessing National Infrastructure Strategy Resources

4.1 Over the last 12 months Oldham and Greater Manchester have encountered an unprecedented series of issues, mostly beyond their control, through the COVID crisis, and although the focus throughout the world was on health, as time has moved on and the ‘the beginning of the end’ has hopefully been reached following the introduction of vaccines, the focus is shifting to the recovery of the economy. The immediate impact of the COVID-19 pandemic on employment has been significant and rapid and it has hit Oldham particularly harshly.

4.2 As a result of the impacts of COVID-19, Greater Manchester Combined Authority (GMCA) has published a one year ‘Living with COVID Plan’. The one-year Plan recognises that the pandemic is still ongoing and is likely to be so for some time. However, Greater Manchester has been clear that the building back better phase of responding to COVID-19 needs to start now. The plan therefore begins to outline how Greater Manchester will respond to the disproportionate impact COVID-19 has had on people’s lives and businesses, how to recover and build resilience and the level and type of support vulnerable communities will still need.

4.3 It recognises that the Greater Manchester Strategy remains the key policy document that will shape the future of Greater Manchester. The Living with COVID plan also has a key role to play in driving system change, and provides a bridge between the unique situation facing us over the next 12 months, the existing Greater Manchester Strategy and the refresh of that document now planned for next year.

4.4 In recent years the GM strategy has identified the influence that the Greater Manchester Spatial Framework (GMSF) will have on Oldham’s local development hopes and opportunities. With a decision taken by Stockport Council to withdraw from the GMSF, the plan is currenty under review and will be amended to form a plan for the nine reminaing districts. Further developments in taking forward the new plan are expected in March 2021.

The Influence of National Policy on the Devolution Agenda

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

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

4.6 Further detail on schemes and programmes is anticipated in 2021, however, some key areas announced are summarised below. Many of these sources of funding may be allocated at a regional rather that individual Authority basis or may be linked to coordinated and complementary cross boundary programmes. Council officers will continue to work towards the development of key strategic projects that may benefit from the support of these funds. Announcements include:

- £24m in capital funding to start a new programme to maintain and expand provision in secure children's homes;

- £60m for Social Housing Decarbonisation;

- £1.7bn in 2021/22 for local roads maintenance and upgrades to tackle potholes, relieve congestion and boost connectivity. This includes £500m for the Potholes Fund and £310m for upgrades to larger local roads;

- £257m for cycling, which will fund thousands of miles of safe, continuous and direct cycling routes;

- £621m to regenerate high streets, town centres and communities through the Towns Fund;

- A new Levelling Up Fund worth £4bn for England (£600m in 2021/20). This will invest in local infrastructure that has a visible impact on people and their communities and will support economic recovery. It will be open to all local areas in England and will prioritise bids to drive growth and regeneration in places in need, those facing particular challenges, and areas that have received less Government investment in recent years. The Government will set out further details on how to support levelling up across the UK in 2021.

- Shared Outcomes Fund – Increased tree planting in non-woodland settings may provide opportunities for the development of Northern Roots

- The Government has published Head of Terms for the UK Shared Prosperity Fund (UKSPF) and will set out further details on the UKSPF in Spring. The value of the UKSPF will average £1.5 billion per year. The Chancellor announced that £220m will be allocated in 2021/22 to help local areas prepare for the introduction of the UKSPF. This funding will target places and people most in need. A prospectus will be published in Spring 2021. The likelihood is that GM will be seeking a regional allocation.

4.7 The Government also announced that as part of the 'Levelling Up' agenda it has released an updated version of the Green book designed to ensure that investment decisions are made in a way that spreads opportunity across the UK. The Green Book is the Government's guidance on best-practice for appraisal and is therefore a vital tool for ensuring value for money for taxpayers.

4.8 The Council with work with GMCA and other GM Councils to maximise the receipt of local and regional NIS resources

5 Affordability, Delivery and Risk Associated with the Capital Strategy

5.1 In compliance with the requirements of the Prudential and Treasury Code, the following paragraphs consider the Council's capital financing and treasury management activity and its contribution to the provision of services along with an overview of how associated risk is managed and the implications for future sustainability looking at Prudence, Affordability and Sustainability.

5.2 The table below shows the Council's current borrowing position and its borrowing need including the Council's Capital Financing Requirement (CFR). The CFR represents total historic outstanding capital expenditure which has not yet been financed from either revenue or capital resources (£525.647m for 2021/22). It is essentially a measure of the Council's underlying borrowing need. Any capital expenditure, which is not immediately financed from cash backed resources, will increase the CFR. The CFR for 2021/22 is significantly higher than for previous years due to the anticipated impact of the investment relating to the Creating a Better Place strategy.

5.3 The Council has a number of on-going Private Finance Initiative arrangements for the delivery of assets and services, presented at Other Long-Term Liabilities (OLTL) in the table below (£224.597m at the start of 2021/22) which has the effect of inflating the CFR. As can be seen, the Council's actual level of borrowing at the start of 2021/22 is expected to be £402.195m (the £224.597m plus debt at 1 April of £177.598m).

	2021/22 Estimate £'000	2022/23 Estimate £'000	2023/24 Estimate £'000	2024/25 Estimate £'000	2025/26 Estimate £'000
External Debt					
Debt at 1 April	177,598	197,593	250,988	275,983	305,978
Expected change in debt	19,995	53,395	24,995	29,995	(5)
Debt at 31 March	197,593	250,988	275,983	305,978	305,973
Opening OLTL at 1 April	224,597	219,729	204,816	194,415	182,780
Expected change in OLTL	(10,868)	(8,912)	(10,672)	(11,365)	(12,078)
Closing OLTL at 31 March	213,729	204,816	194,415	182,780	170,702
Forecast gross debt (borrowing requirement) at 31 March	**411,322**	**455,804**	**470,128**	**488,758**	**476,675**
The Capital Financing Requirement	**525,647**	**579,968**	**608,139**	**639,425**	**635,375**
Under borrowing	**114,325**	**124,164**	**138,011**	**150,667**	**158,700**

5.4 The CFR does not increase indefinitely, as the Council makes 'prudent' provision for debt repayment which broadly reduces indebtedness in line with each asset's life and so charges the economic consumption of capital assets as they are used. The approach to making prudent provision is known as the Minimum Revenue Provision (MRP), in other words, making a direct charge to the Council's revenue budget to reflect the cost of repaying the borrowing. The Council's MRP Policy Statement is set out in the Treasury Management Strategy 2021/22.

5.5 It is important to note that the Council has for a number of years been projecting a borrowing requirement but has not needed to undertake any borrowing as there has been reprofiling of the Capital Programme and cash balances available, thus resulting in the under borrowed position. During 2019/20, the Council undertook new external borrowing of £20.000m from the Public Works Loans Board (PWLB). The Council did not fully borrow up to its CFR position therefore is still in an underborrowed position.

5.6 The Prudential Code states that it is the responsibility of the Council's Chief Finance Officer (Director of Finance) to explicitly report on the affordability, deliverability and the risks associated with this Strategy. These key elements are set out in the following paragraphs.

Affordability

5.7 Affordability is a key criterion when considering whether a project should be approved for inclusion within the Capital Programme. Before any decisions are made, new schemes are underpinned by a business case identifying the expenditure and funding, appraisal of alternative options and the risks and rewards associated with the scheme. The Business Case preparation and consideration process is set out fully in Section 11 of this Strategy.

5.8 All projects must also have a clearly identified capital funding source with a definite commitment of financial support if external funding, such as an external grant, is to be used. Also, there must be an identified source of funding to support any on-going revenue costs associated with the use of a capital asset, and these must be built into future years financial projections.

5.9 Where borrowing is to be used, the affordability test is the ability to fund interest costs linked to the borrowing, together with the repayment of the borrowing (the MRP charge). This repayment is matched to a prudent asset life and any income streams estimated to fund this asset must be sustainable. The Prudential Code sets out the requirements for the appropriate governance of such borrowing and the Council's processes comply with the requirements of the Code.

Delivery

5.10 The delivery of the individual schemes within the Capital Programme is directly linked to the process of approving the capital scheme. Each scheme has a project sponsor and a project manager responsible for the delivery and the subsequent achievement of the scheme objectives.

5.11 Project updates are provided at the regular meetings of CIPB as well as an overarching update on the Capital Programme. This facilitates the review and challenge to the delivery of projects and any changes to both the timing and value of the programme. In addition, an Annual Review of the Capital Programme is completed each year in accordance with the terms of reference of CIPB. The Annual Review process ensures that all schemes are examined to determine whether they are still aligned to corporate priorities. The review also considers the deliverability and progress of schemes including any reasons for delayed starts or variations to approved budgetary allocations. It also considers rephasing of planned expenditure and identifies any unutilised or underutilised resources which can be reallocated to other projects.

5.12 The Council's senior officers also have the opportunity to review and challenge project and programme delivery via monthly updates on the changes/re-profiling of expenditure.

Risks

5.13 The Council is exposed to a range of risks with regard to the continued affordability and delivery of the Capital Programme as follows:

- Financial risks related to the investment of the Council's assets, cash flow and market volatility;
- Macroeconomic risks related to the growth or decline of the local economy, interest rates, inflation and the wider national and global economy. Of particular relevance in this regard are the longer-term implications of the COVID-19 pandemic, Brexit and the UK's future relationship with the EU;
- Credit and counterparty risks related to investments, loans to public and private institutions;
- Operational risks related to operational exposures within its organisation, its counterparties, partners and commercial interests;

- Strategic risks related to key initiatives undertaken by the Council such as areas of organisational change deemed necessary to enable the Council to meet its goals and objectives, significant capital schemes and major purchases and new ventures;
- Reputational risks related to the Council's dealings and interests, and the impact of adverse outcomes on the Council's reputation and public perception;
- Environmental and social risks related to the environmental and social impact of the Council's strategy and interests. This is a risk that is becoming more high profile given the recent national and international publicity in relation to climate change;
- Governance risks related to ensuring that prudence and careful consideration are prominent in the Council's decision-making, augmented by quality independent advice and appropriate checks to ensure that the Council has the correct level of oversight, scrutiny and efficiency; and
- Risks arising from a financial commitment by the Council in line with Government policy when that policy is then changed mid-stream leaving the Council to manage the position.

5.14 Managing the Council's risks is an area of significant focus for senior management and Members. The Council adopts an integrated view to the management and qualitative assessment of risk and the refreshed Risk Management Strategy and Framework was approved by Cabinet at its meeting on 16 December 2019. This updating of the strategy aimed to simplify the risk management process and to have regard to the most recent good practice developments. The Council aims to minimise its exposure to unwanted risks through a range of mitigation strategies that are considered with each individual business case or capital project.

5.15 However, it is important to recognise that there are significant risks associated with a large Capital Programme and associated borrowing, but these can be mitigated and indeed are mitigated as business as usual. As advised above, there is a robust capital business plan process, project management arrangements and/or project boards are in place and all projects are delivered by suitably skilled staff. Appropriate consideration is given to tax planning, cash flow and the operational planning for the use of any asset. Governance is addressed by the establishment of officer/Member working groups with regular and transparent reporting. Due diligence is undertaken on loans and purchases and external advice is sought where necessary.

5.16 There are clear links from the Capital Strategy to the Treasury Management Strategy, prudential indicators, authorised borrowing limits and the revenue budget. These are also subject to review and oversight by Members at CIPB, Audit Committee, Cabinet and Council.

5.17 Members recognise that risk increases with any new borrowing and are mindful of this when considering funding arrangements. New borrowing will increase the Council's annual level of fixed interest and repayment costs which are already currently forecast to increase in the coming years and could have a borrowing liability of £476.675m by 2025/26.

Concept of Proportionality

5.18 The Capital Strategy 2020/21 to 2024/25, incorporated the approval via the Commercial Property Investment Strategy (CPIS) to invest in acquiring property assets for investment purposes to generate sustainable future income streams to support the Council's mainstream service delivery. However, following a review of the Capital Programme as a result of the unprecedented economic circumstances due to the impact of the COVID-19 pandemic and the revised terms for PWLB borrowing, the CPIS schemes have been removed from the Capital Programme. During 2019/20 the Council purchased an industrial estate as part of the strategy but had regard to the guidance of the revised Prudential Code issued in 2017 and the CIPFA document “Prudential Property Investment” issued in November 2019. It is important to note that this was a purchase of an asset where the Council was already a tenant, thus securing its tenure and it was also linked to a vision to support regeneration in the borough.

5.19 In line with this guidance and as part of the Capital Strategy , the Ministry of Housing, Communities and Local Government (MHCLG) now requires that regard is had to the “concept of proportionality” and the resulting “level of debt and aggregate risk being proportionate to the size of the authority”. The Council has identified the following indicator (% of non-financial investment income as a contribution to the net revenue budget) to demonstrate the concept of proportionality as shown in the table below. This income relates to commercial activity which is generating additional income and revenue savings to support the Council’s core services.

	2021/22 Estimate £'000	2022/23 Estimate £'000	2023/24 Estimate £'000	2024/25 Estimate £'000	2025/26 Estimate £'000
Total Net Non-Financial Investment Return	103	173	243	383	383
Net Revenue Budget	**254,179**	**241,185**	**233,832**	**238,510**	**243,280**
% of Net Non- Financial Investment Income as a contribution to Net Revenue Budget	**0.041%**	**0.072%**	**0.104%**	**0.161%**	**0.157%**

5.20 As can be seen in the table above, the net financial income as a contribution to the Net Revenue Budget is less than 1% over the life of the Capital Strategy. Within the Capital Strategy 2021/22 to 2025/26 there are no future plans to invest in commercial activities solely to generate additional income.

6 Knowledge and Skills

6.1 The Capital and Treasury Finance Team has responsibility for both the preparation of and on-going management of the capital and treasury management strategies and Capital Programme. The team is staffed by professionally qualified accountants with extensive Local Government finance experience. Team members attend all relevant training courses, workshops and events to ensure that their knowledge and skills are up to date and the Council is in a position to address all new technical developments. They all follow a Continuous Professional Development Plan (CPD) as part their individual accountancy accreditation. The overall responsibility for capital and treasury activities lies with the Council’s Section 151 Officer who, in accordance with statute, is professionally qualified and is suitably experienced to hold the post.

6.2 The Council aims to provides training to Members on an annual basis, which is delivered by Council officers and external advisors. This ensures Members have a full understanding of key issues and have the appropriate knowledge and skills to make capital and treasury decisions. Members are updated on developments and any issues of significance throughout the year with information presented to the Audit Committee (responsible for Treasury Management), CIPB (responsible for the Capital Programme) and at Cabinet Member briefings.

6.3 The Council uses Link Asset Services Treasury Solutions as its external Treasury Management advisors. The Council recognises that it is essential to engage with external providers of Treasury Management services in order to acquire access to specialist skills and resources. Due to the impact of the COVID-19 pandemic it has not been possible to implement Treasury Management training during the financial year 2020/21 therefore the most recent training provided to Cabinet Members was in October 2018 and the Audit Committee in October 2019. The Council is planning external training session for Cabinet and Audit Committee Members during the financial year 2021/22.

6.4 When looking at a commercial element within a particular capital schemes that has a main focus is on public service, housing, regeneration, preventative objectives or treasury management investments, officers from relevant professional disciplines from across the Council are involved in conducting due diligence exercises. Alongside the internal teams the Council also uses external advisors to complete the due diligence process.

7 Treasury Management

7.1 The Council produces a Treasury Management Strategy which is approved by full Council annually as part of the Budget Setting process.

7.2 The Capital Strategy and Treasury Management Strategy are closely linked as the Capital Programme determines the borrowing need of the Council, essentially the long term cash flow planning and ensures that the Council can meet its capital spending obligations. The Capital Strategy is integral to treasury management activities throughout the year in the management of long term cash that may involve arranging long or short term loans or investing longer term cash flow surpluses. A treasury action is to look for opportunities to restructure any existing borrowing in support of the Councils budget process.

7.3 At the end of the five year Capital Strategy period the Council's debt is forecast to be £476.675m. Included within the Council's CFR under long term liabilities are items such as Private Finance Initiative (PFI) and leasing arrangements. The Council is currently expected to have £224.597m of such liabilities at the start of 2021/22 which is expected to reduce to £170.702m by the end of the Capital Strategy period. The Council's Operational Boundary for 2021/22 is forecast to be £516.500m. The Council's Authorised Borrowing limit will be £541.500m for 2021/22.

7.4 The Council is required to set aside 'prudent' provision for debt repayment where borrowing or credit arrangements have been used to finance capital expenditure. This is known as Minimum Revenue Provision (MRP). Over the Capital Strategy period the Council has an MRP provision of £66.717m.

7.5 The Audit Committee is responsible for the scrutiny and governance of Treasury Management activity within the Council. It reviews the Treasury Management policy and procedures and all Treasury Management reports. However, the Overview and Scrutiny Performance and Value for Money Select Committee also scrutinises the Treasury Management Strategy alongside the full suite of budget reports prior to their presentation to Cabinet and Council for final approval. As both the Treasury and Capital Strategies are reviewed together, it allows for a combined scrutiny process.

7.6 Throughout the year the Audit Committee receives regular updates on performance and emerging issues including the Mid-Year Review report which is also reported to full Council. It is also important to note that the Treasury Management function is subject to regular Internal and External Audit reviews. All recent reviews have highlighted the high standard by which the treasury management function is delivered.

7.7 Further detail can be found in the Treasury Management Strategy 2021/22.

8 Long Term Loans

8.1 The Council has the ability, should it choose to exercise its powers, to enter into loan arrangements to support the delivery of strategic corporate priorities.

8.2 The Council has chosen to make some but limited use of its ability to enter into loan arrangements, but in such instances, all loans have been and will be approved in line with the Council's Constitution under the Financial Procedure Rules which ensures that they are prudent and secured by:

- A full independent due diligence process;
- Ensuring adequate security for the loan is in place;
- Continuous monitoring of the loans and undertaking review meetings;
- Ensuring the financial exposure of the Council is proportionate to its size.

8.3 The Council may choose to provide assistance to organisations where they have experienced difficulty in securing funds from other sources at affordable interest rates. In order to deliver corporate priorities, loans to third parties may be offered at an interest rate below the market rate. Where the loan is advanced at less than a market interest rate there is an associated loss of investment return which would otherwise have been earned on these funds. The cost to the Council in this respect would be reflected in the Council's Annual Accounts. Any loans to third parties are recognised as investments and detailed within the Annual Investment Report in the Treasury Management Strategy.

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

8.5 The Council has recently provided a significant loan. The long-term loan to a strategic stakeholder partner that will generate a sustainable income source for the next 40 years. It also aligns to the Council's corporate priorities and the wider economic development of the GM area. Mindful of the requirements of State Aid regulations, the loans have been negotiated at commercial rates of interest.

9 Other Non-Treasury Investments

9.1 Until the recession in 2008, the Council achieved good investment returns on its surplus cash balances. Since then, however, falling interest rates and investment returns have contributed to the pressure on its revenue budget. Combined with the budget shortfall the Council faces and the continued low return on its cash investments, plus Central Government financial support for local public services having been reduced significantly during the previous decade, the Council investigated various options for generating enhanced returns.

9.2 In December 2019, Cabinet approved a Corporate Property Investment Strategy (CPIS) to facilitate investment in property solely to generate additional income. As previously explained, this strategy is now inconsistent with national policy direction and is no longer reflected in the Capital Strategy or Programme following the Councils review of the Capital programme.

9.3 The Council continues to hold commercial property assets that were acquired prior to the introduction of the new PWLB lending criteria. These are located throughout the borough but were purchased to support local policy objectives including the acquisition of strategic sites to support a long term redevelopment and regeneration vision. The fair value of these assets will be reviewed as part of the Council's Treasury

Management activities. Should the valuation be lower than the purchase cost, the Council will report this in the Treasury Management Strategy, along with the consequences of the loss on security of investments and any revenue consequences arising.

9.4 The Council has also invested in the Churches, Charities and Local Authorities (CCLA) property fund. As advised within the Treasury Management Strategy due to the anticipated fluctuations in price this is an investment with a minimum time horizon of 5 years. The Council currently holds £15.000m in the property fund and the investment currently generates a return of approximately 4.5% per annum.

9.5 Due to the uncertainty surrounding the longer-term impact of the COVID-19 pandemic and Brexit, the property fund has seen a decline in the value due mainly to valuer caution rather than any significant increase in pressure to sell properties. In contrast, occupier trends continued to be stable, and the dividends remained constant at a similar rate.

9.6 Any further investment in the CCLA or any such longer term investment funds/bonds will only be undertaken after detailed and thorough due diligence and having regard to the Treasury Management principles of security of capital, liquidity, yield and ethical investments.

10 Capital Resources to Support Capital Expenditure

10.1 The Utilisation of Capital Resources

10.1.1 The Council's strategy is to ensure that all resources are deployed to support the achievement of the Council's objectives. With the Government placing a greater emphasis on regional initiatives, the Council's Capital Strategy and capital planning arrangements need to be consistent with, and linked to, the Greater Manchester Strategy but also enhance the Council's own co-operative ethos and other corporate initiatives such as Get Oldham Working, with some devolving of resources and decision-making to Districts and Neighbourhoods. As such, the aspirations of District Partnerships need to be considered and they will be consulted, as appropriate, over possible bids for any available funding. The District Investment Fund and its replacement the Local Investment Fund are included in the Capital Programme, currently at £0.637m in the financial year 2021/22.

10.1.2 As most capital financing can be used for projects at the Council's discretion, the Council is able to address its own priorities and shape the Capital Programme to align with local, regional and national agendas.

10.2 Creation of a Central Pool of Capital Resources

10.2.1 The Council will ensure that it facilitates the achievement of Council objectives by taking full advantage of freedoms and flexibilities arising from the fact that most resources are un-ringfenced. All un-ringfenced capital funding and other non-specific Council capital resources, that are not required to finance existing commitments, will be pooled into one central fund. This corporate resource will then be managed so that only schemes which can demonstrate the attainment of Council capital priorities will be allocated funds. The Capital Investment Programme Board (CIPB) will review all bids for resources, evaluate them and then make recommendations to:

a) Cabinet/Council on the prioritisation of resources for the initial 2021/22 to 2025/26 Capital Programme.

b) The appropriate decision-maker for any subsequent revisions to the Capital Programme.

10.2.2 The Budget Council will make the final decision on the overarching Capital Programme for 2021/22 to 2025/26 and will subsequently delegate (subject to the provisions in the Council's Constitution) the updating of the programme and revisions to projects following review and recommendations by the CIPB.

10.2.3 The CIPB will review the usage of any ringfenced resources to ensure alignment with other spending plans and the maximisation of benefits to the Council.

10.2.4 In determining the size of the central fund, the CIPB will have regard to the following:

a) COVID-19 Recovery Strategy and associated initiatives to create jobs and assist the regeneration of the local economy, incorporating the refreshed Creating a Better Place Strategy
b) The statutory fourth Greater Manchester Local Transport Plan (GMLTP4). This is part of the long-term transport strategy for Greater Manchester to 2040 with a five-year delivery plan.
c) The current pressure on primary and secondary places in certain areas of Oldham and the lack of capacity in the current school stock.
d) The Disabled Facilities Grant (DFG) is provided to meet the Council's obligation to finance adaptations to the homes of disabled residents and its commitments to wider social care. The Council receives the DFG funding via the Better Care Fund (BCF) and this is included within the pooled funding arrangements with Oldham CCG.
e) Social Care funding requirements arising from pooled funding arrangements
f) The Council's ambition to deliver its Housing Strategy.
g) Any resources allocated by Central Government after approval of the Council's 2021/22 – 2025/26 Capital Strategy/Capital Programme.

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

10.2.6 Grant funding allocations notified to the Council also include information regarding capital maintenance funding for Voluntary Aided (VA) schools. This grant is paid directly to the Church of England and Roman Catholic Diocesan authorities and is not therefore included within the Council's Capital Programme. Expenditure undertaken by the Council on VA schools is planned with regard to the availability of contributions from the VA grant and diocesan resources.

10.3 Methods of funding capital expenditure

10.3.1 There are a range of methods for funding capital expenditure. The methods that will be used by the Council are set out as follows:

a) Government Grants and Non-Government Contributions

10.3.2 Capital resources from Central Government can be split into two categories:

i) Un-ringfenced – resources which are delivered through grant that can be utilised on any project (albeit that there may be an expectation of use for a specific purpose). This now encompasses the vast majority of Government funding.

ii) Ring-fenced – resources which are ringfenced to particular areas and therefore have restricted uses.

10.3.3 Where there is a requirement to make an application to an external agency for external funding and, when appropriate, to commit Council resources as matched funding to any bid for external resources, a business case (following the three-stage process described at Section 11) must be presented to the CIPB for approval. This must justify the bid for external resources and any Council matched funding prior to submission of the bid.

b) Prudential Borrowing

10.3.4 The Council will consider financing capital projects using prudential borrowing where plans are sustainable, affordable and prudent. Full appraisal will take place to ensure that, where appropriate, sufficient revenue returns are generated to cover the cost of borrowing.

10.3.5 Where it is considered that Prudential Borrowing is the appropriate method of funding, but it requires additional revenue financing, the cost will be reflected in the revenue budget planning process.

10.3.6 As mentioned above in the section outlining PWLB Lending Criteria, in November 2020, the PWLB revised the terms of PWLB lending to ensure that Local Authorities continue to invest in housing, infrastructure, and public services whilst discouraging investment solely for income generation purposes. The Council's capital programme meets the new revised terms for PWLB lending therefore Prudential Borrowing from the PWLB can be undertaken if it is the most cost effective way to finance the programme.

10.3.7 Alongside the 2020 Spending Review announced in November 2020 and following on from PWLB consultation conclusion, HM Treasury revised the lending terms for the PWLB. HM Treasury reverted to the previous PWLB rates prior to the increase in October 2019, with rates from 26 November 2020 being priced at the current gilt rate plus 100 basis points for the standard loans and gilts plus 80 basis points for Authorities qualifying for the Certainty Rate. It is possible that there may be some separate terms for housing projects announced during 2021.

10.3.8 In September 2020 the Council applied for and received the PWLB Certainty Rate reduction. This entitles the Council to receive a 20 basis points rate reduction on the prevailing rate of PWLB on any borrowing undertaken from 1 November 2020 to 31 October 2021. The obvious benefit to the Council of the certainty rate is reflected in reduced Treasury Management borrowing costs in relation to any PWLB borrowing undertaken.

c) Capital Receipts

10.3.9 Section 9 (1) of the Local Government Act 2003 defines a capital receipt as ''a sum received by the authority in respect of the disposal by it of an interest in a capital asset''.

10.3.10 Section 9 (2) of the Act states ''an asset is a capital asset if, at the time of the disposal, expenditure on the acquisition of the asset would be capital expenditure''.

10.3.11 Capital receipts are usually restricted to use for:

i) Financing new capital investment.
ii) Reducing borrowing under the Prudential Framework.
iii) Paying a premium charged in relation to any amounts borrowed.
iv) Meeting any liability in respect of credit arrangements.
v) Meeting disposal costs (not exceeding 4% of the receipt).

10.3.12 In general, capital receipts arising from the disposal of housing assets and for which account is made within the Housing Revenue Account (HRA), are governed by the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003. In summary the regulations require that receipts arising from:

i) Right to Buy (and similar) sales may be retained to cover the cost of transacting the sales and to cover the debt on the properties sold, but a proportion of the remainder must be surrendered to Central Government; and

ii) All other disposals may be retained in full provided they are spent on affordable housing, regeneration or the paying of housing debt.

10.3.13 Such receipts have reduced substantially since the transfer of the housing stock to First Choice Homes Oldham (FCHO).

Value Added Tax (VAT) Shelter

10.3.14 As part of the Housing Stock transfer that took place in February 2011 a Value Added Tax (VAT) shelter agreement was entered into with FCHO. This allows FCHO to obtain the same VAT exemption on its capital works as the Council. The shelter only applies for first-time improvements and is expected to cease in 2024/25. FCHO retained all the benefits in the first four years and the savings thereafter have been split 50:50 with the Council, although the first £6.000m was top sliced to deal with outstanding FCHO asbestos liabilities.

10.3.15 FCHO has provided an indicative notification of the release of resources from the VAT shelter for 2021/22 and this is being used to support the capital receipts requirement underpinning the Capital Programme.

Ringfencing of Capital Receipts

10.3.16 Where the sale of an asset leads to the requirement to repay grant, the capital receipt will be utilised for this purpose. Once this liability has been established and provided for, capital receipts will be available to support the Capital Programme as a corporate resource.

10.3.17 The only areas where the Council ringfences capital receipts is in respect of:

i) The Equity Home Loan Initiative.

ii) Saddleworth School as part of the Priority Schools Building Programme.

iii) The Flexible Use of Capital Receipts Strategy – in 2021/22 the first £2.000m of unallocated receipts will be used to support the revenue budget via the financing of transformational projects.

Flexible Use of Capital Receipts

10.3.18 As part of the Local Government Finance Settlement (LGFS) in March 2016, the Secretary of State for Housing, Communities and Local Government provided Local Authorities with the opportunity to use capital receipts to fund the revenue costs of transformation. This flexibility was then extended to 2021/22 as part of the 2018/19 LGFS. Alongside the Final LGFS in February 2021, this flexibility was extended for a further three year period (2022/23 to 2024/25), although the guidance has not yet been released. As previously stated, the Council intends to utilise £2.000m of capital receipts to fund elements of Oldham's transformational agenda in line with the Directive guidance and therefore in 2021/22 the first £2.000m of unfettered receipts will be used to support the revenue budget via the financing of transformational projects.

10.3.19 The Flexible Use of Capital Receipts is designed to offset the revenue cost of transformational projects which are expected to deliver future ongoing revenue savings for either the Council or other public sector delivery partners.

10.3.20 In order to take advantage of this freedom and flexibility, the Council must act in accordance with the statutory guidance issued by the Secretary of State. This guidance requires the Council to prepare, publish and maintain a Flexible Use of Capital Receipts Strategy. The Council's Flexible Use of Capital Receipts Strategy is included in Annex D.

Availability of Capital Receipts

10.3.21 In considering the 2021/22 Capital Programme, and given the position with regard to capital receipts, a prudent approach has been taken with capital receipts assumed in accordance with an anticipated timeline for asset disposal. However as advised above, the Council anticipates utilising £2.000m under the Flexible Use of Capital Receipts Strategy in 2021/22 to support transformational projects.

10.3.22 The level of receipts upon which the programme relies to fund existing and new commitments has in the past been affected by the property market and more recently the COVID-19 pandemic which has impacted on the:

i) Ability of the Council to sell assets within the timescale anticipated.

ii) Level of receipt actually generated, which has sometimes been less than originally forecast.

10.3.23 The Council's objective to rationalise the corporate estate (as highlighted in the Medium Term Property Strategy and the Creating a Better Place strategy), will lead to the marketing of increasing numbers of surplus assets. This has the potential to affect both (i) and (ii) above. This is being carefully managed to ensure that the Council receives the best disposal price possible. The Council has specific staffing resources to manage the phased disposal of former schools' sites, residual Housing Market Renewal sites and other strategic regeneration sites. External expertise has been engaged to supplement in-house teams if required when rationalisation activity increases.

10.3.24 The availability of sites for sale could potentially be reduced if there is earmarking of key plots for inclusion in any future Joint Venture opportunity for or any regeneration project throughout the Borough. Again, this position will be carefully managed in the context of the overall financial position of the Council.

10.3.25 Monitoring of capital receipts is undertaken through an officer sub-group that reports to the CIPB and the Corporate Property Board (CPB); follow-up actions are initiated to address any comments raised. The capital monitoring report is usually presented to Cabinet at months 3, 6, 8 and 9 and advises Members of receipts compared to target. During the period of COVID-19, the reports are being presented to Cabinet from month 3 on a monthly basis to ensure Members are fully sighted on all key financial issues.

d) Revenue Contributions

10.3.26 A service or school may wish to offer some of its revenue budget or reserves to support the financing of a capital project. This is acceptable if it can be demonstrated that this funding is unfettered.

e) Use of Leasing

10.3.27 Some of the assets used by the Council have previously been financed by a lease arrangement, for example vehicles. Leasing is considered as a viable option for consideration when financing options are being appraised. Leasing may occasionally offer better value for money than financing through prudential borrowing, however, at the time a decision is required, a full financial appraisal will be undertaken.

f) Section 106 Agreements

10.3.28 In considering an application for planning permission, the Council may seek to secure benefits to an area or restrict uses or activities related to a proposed development through the negotiation of a ‘planning obligation’ with the developer. Such obligations, authorised by Section 106 of the Town and Country Planning Act 1990, generally either improve the quality of the development, or overcome difficulties which would otherwise result in planning permission being refused. A planning obligation must be:

i) Necessary to make the development acceptable in planning terms;

ii) Directly related to the development; and

iii) Fairly and reasonably related in scale and kind to the development.

10.3.29 As such, therefore, the Council may in some instances receive funds to enable it to undertake works arising from these planning obligations. Examples of the use of planning obligations are the:

i) Provision of affordable housing.

ii) Improvement to community facilities - Public open space/play areas, educational facilities.

iii) Improved transport facilities - contributions have previously been used towards Oldham bus station, park and ride and the provision of cycle lanes.

iv) Public art.

v) Renewable energy measures.

vi) Specific measures to mitigate the impact on a local area, for example parking restrictions, landscaping or noise insulation.

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

g) Community Infrastructure Levy

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

h) Private Finance Initiative (PFI)

10.3.32 PFI was a means by which the Council facilitated major new infrastructure projects. Typically, the schemes involve partnerships between the public and private sector to fund public sector infrastructure projects with private capital. Oldham has considerable experience of PFI with two schools' projects, two housing projects, the Library and Lifelong Learning Centre and the street lighting initiative.

10.3.33 In the Autumn Budget 2018 the Government announced that there would no longer be the use of PFI for major investments and a new centre of excellence would be established to manage existing deals "in the taxpayer's interest". The Government emphasised its commitment to maintaining current commitments on PFI contracts. As a result, no new PFI projects or similar initiatives are anticipated within the Strategy period.

i) UK Municipal Bonds Agency Plc

10.3.34 The UK Municipal Bonds Agency (UKMBA) is owned by the Local Government Association (LGA) and managed by PFM; the largest independent financial advisory firm in the United States that works solely for public sector clients. It has extensive experience in the US bonds market and has a wealth of experience of bringing bonds to market for public sector clients. The aim of the agency is to provide Councils with a cost-effective source of long term borrowing (as an alternative to the PWLB) and to introduce sector owned diversity into the Local Government lending market.

10.3.35 During 2020/21 the UKMBA issued its first ever bond, a £350-500m 5-year SONIA linked Floating Rate Note (FRN) and a £250m issue with a 40-year maturity, 80 basis points (bps) lower than the equivalent rate from the Public Works Loan Board. Work is ongoing, to issue the UKMBA's first proportionally guaranteed bond, that is likely to involve a number of Local Authorities. The pooled bond is expected to be a £250m 10-year fixed rate bond.

10.3.36 The Council has invested a total sum of £0.100m in the equity of the UKMBA. The Council will continue to monitor issuances by the UKMBA and cost of funds from the MBA as an alternative source of finance with a view to borrowing at an appropriate time if terms are preferential. It must be noted that, following, the reduction in PWLB rates announced alongside the 2020 Spending Review, the UKMBA cancelled the next planned bond issue whilst it looks at the impact of the PWLB rate reduction as this will make it more challenging for the UKMBA to be a more competitive option.

11. Capital Investment and Disposal Appraisal

11.1 Capital Investment

11.1.1 All capital investment will be commissioned on the recommendation of the Capital Investment Programme Board (CIPB) which will enable any expenditure and it's funding to be better aligned with corporate priorities, partners and funding sources.

Partners, from both the public and private sector will be at regional and local levels as well as at a district level.

11.1.2 Within the Council, a concept for a potential capital project should originate from, or at least be 'owned' by Senior Responsible Officer (SRO) or Directorate Management Teams (DMTs). The SRO or DMT that 'owns' the concept should prepare or direct the preparation of a Strategic Business Case (SBC) for the proposed project. The Strategic Business Case should be submitted to CIPB for consideration, with the exception of Strategic Regeneration projects where the Corporate Property Board (CPB) first reviews the SBC.

11.1.3 If the CIPB (or the CPB in the case of Strategic Regeneration Projects) is satisfied that the proposal meets investment criteria, it will be given approval to progress to Stage 2 of the process – the completion of an Outline Business Case (OBC). The OBC builds on the SBC providing more detailed information including the benefits that could be realised and may include a number of options to deliver the proposed benefits. The OBC will be submitted to the CIPB for consideration, and if it is satisfied with the proposal will give guidance for the development of a preferred option.

11.1.4 Stage 3 of the process entails the completion of a Final Business Case (FBC) which will then be submitted to the CIPB for final consideration. Again, building on the OBC, the FBC will contain evidence of a:

a) Detailed financial analysis of all costs/income including how the project is financially sustainable and that any adverse revenue implications can be dealt with within existing budgets.

b) Robust delivery plan including how the chosen option delivers the highest impact in achieving the required outcomes with identified key project milestones enabling progress review.

c) Risk assessment and that appropriate actions to negate these risks have been identified.

d) Full exit strategy where the project involves a disposal.

e) Method of procurement that represents value for money.

11.1.5 By adopting the process outlined above, CIPB exercises control over capital projects through the recommendation of approval of:

a) Strategic Business Cases (SBC) outlining the initial idea or 'concept' for a project.

b) Outline Business Cases (OBC) which will focus on links to the Corporate Plan and outcomes.

c) Full Business Cases (FBC) – the final investment decision. This will focus on how the priorities set out in the OBC will be delivered, including:

i) Project description
ii) Consultation
iii) Expenditure and funding including whole life costs and revenue implications
iv) Outputs
v) Option Appraisal
vi) Value for Money
vii) Delivery
viii) Risk Management
ix) Sustainability, forward strategy and evaluation

x) Asset Management
xi) Procurement
xii) Social Value Impacts
xiii) Equality Impact Assessment
xiv) Environmental Impact Assessment
xv) Contribution to the achievement of corporate initiatives including Get Oldham Working

11.1.6 Depending on the circumstances of the bid for resources, the CIPB has the discretion to vary the three stage review process and omit one or more of the stages.

Gateway Review System

11.1.7 The Council has adopted a gateway review system for all projects within the Capital Programme to promote the following principles:

a) Carrying out structured reviews at decision checkpoints, defined by boundaries between management stages, to test the project's management and its readiness to progress to the next stage.
b) Promoting project assurance through the application of a structured project management system.
c) Informing the governance process.

11.1.8 The Gateway Review structure is designed to be efficient by only requiring detail when it is needed to get to the next stage. It also tries to minimise additional work for team members by using templates that build on each other, reducing the need for reworking.

11.1.9 Gateway Reviews are undertaken by the Strategic Regeneration Project Management Office which has been specifically set up to ensure there is a robust review process in place to support the delivery of capital schemes and therefore to support the work of the CIPB.

11.1.10 There are four Gateway Reviews which are initiated at key milestones in the delivery of a programme, Gateways 1 to 3 are undertaken in the approval process for the Strategic, Outline and Final business cases respectively, Gateway 4 is undertaken in support of the delivery and handover phase. It is important to note that the Gateway report is used to advise and inform those responsible for making the investment decision, the decision will not be made by the Gateway Review team.

11.2 **Service Challenge & Review, Efficient Use of Assets**

11.2.1 As part of the Creating a Better Place Strategy, the Council has embarked on an ambitious programme of transformation utilising the corporate estate as a key driver for change and delivering revenue budget reductions.

11.2.2 A review of the Council's operational land and property portfolio has been initiated to consider:

a) The core office estate;
b) The operational asset base used for district-based service delivery; and
c) Land.

11.2.4 Through the Creating a Better Place strategy, an Assets Accommodation and Investment Group is leading work to further streamline the Council's core office accommodation, working collaboratively with other public sector partners, to exploit collective town centre property ownerships (including the recently acquired Spindles and Town Square Shopping Centres) to maximise benefits from regeneration, inward investment and improve efficiency in operating costs. This will align with the Government's One Public Estate (OPE) Programme and the work undertaken by the Strategic Estates Group (SEG).

11.2.5 With regard to the review of operational district assets and Place-Based operating arrangements, the Property Team and services continue to work closely alongside wider public and third sector partners to ensure that portfolios are the best fit for purpose and efficient usage is maximised. Work with NHS partners has been accelerated to support the health and social care integrated working agenda.

11.2.6 In taking forward the Creating a Better Place strategy, the disposal of land and property assets will be progressed with alignment to corporate objectives and incorporated into the asset rationalisation programme. The review of the Council's existing investment portfolio will be included as part of proposals to further streamline the Council's Asset Estate, in line with required capital receipts targets and proposed revenue savings.

11.2.7 Governance of the Council's land and property portfolio is provided via the Land and Property Protocols which form part of the Council's Constitution, providing a strategic governance framework within which land and property transactions are undertaken and the corporate portfolio is managed in a consistent, transparent and appropriate manner. The Protocols are regularly updated to reflect Statutory, Administrative and Organisational changes and have recently been revised in line with the recommendations of the Creating a Better Place strategy.

11.2.8 The Corporate Property Board oversees the acquisition and disposal of land and property assets and monitors the progress of the asset rationalisation programme and performance of the investment portfolio.

12 The Prioritisation of Capital Requirements

12.1 Once a bid for capital expenditure has passed through the Gateway process and has demonstrated that it meets Council Objectives and links to the Greater Manchester Strategy (if appropriate) and it has been agreed that it is suitable for capital investment, the strategic requirements will be prioritised using the following criteria (it should be noted that these are not mutually exclusive or in ranking order):

12.2 The criteria examine whether the proposal is:

a) Related to mandatory, contractual or legislative service delivery requirements.
b) Required to achieve the delivery of a specific revenue budget saving within the revenue budget setting process.
c) Required to support Service Plan priorities.
d) Enhancing the Co-operative Council agenda and demonstrating the delivery of wider Social Value.
e) Supporting the Get Oldham Working priority initiative and demonstrating how it delivers the aim of local jobs for local people.
f) Supporting integrated working with NHS partners or in support of other GM devolution objectives
g) Linked into other regional objectives.
h) Enhancing the asset management/estate management agenda.
i) Providing general revenue budget reductions or offering the delivery of a more efficient service.
j) Fully-funded from external resources.

k) Bringing in substantial external resources for which Council matched funding is required.
l) Likely to have the highest impact on achieving improved performance against the Council's key objectives.
m) Making a contribution to carbon reduction targets and renewable energy initiatives as part of the Council's Green New Deal.
n) Supporting regeneration and economic growth, particularly in the town centre and district centres.
o) Supporting recovery from the impact of COVID

12.3 The results of this process will be presented to Members each year as part of the capital budget setting process, or during the year if projects come forward outside of the normal timeframe.

13 The Procurement of Capital Projects

13.1 The structure of the Council's procurement and strategic relationship management function includes designated Commercial Procurement Managers whose focus is to support all capital projects.

13.2 Integration of revenue and capital financial planning provides opportunities for greater efficiency by selection of the most effective procurement processes to ensure the best commercial solution.

13.3 The Council is keen to ensure that Social Value, is demonstrated during the procurement process, linked to the principles of the co-operative agenda. Therefore, this is of key importance in the procurement of all capital schemes. The social value deliverables are actively monitored by the procurement team throughout the life of the contract.

13.4 Efficiency gains via procurement will be achieved by:

a) Efficient procurement processes which are constantly being enhanced with opportunities being developed to ensure the best commercial solution is selected and delivered.
b) Expanding the range of providers included within the Council's early payment discount scheme.
c) Strategic contract management of the wider supply chain to ensure continuous savings through the life of the project.
d) Procuring fixed price contracts with risk/reward terms to incentivise further efficiencies.
e) Joining in GM wide procurement initiatives which will provide savings through economies of scale.
f) Public Private Partnership (PPP) agreements and other innovative financing arrangements where practicable.
g) Leasing/borrowing strategies which will consider the most effective means of acquiring assets.

14 The Measurement of the Performance of the Capital Programme

14.1 The capital commissioning approach that has been adopted by the Council is supported by a strong programme management process in order to ensure a co-ordinated corporate approach to the strategic alignment of investments. The process has been modelled on the PRINCE 2 project management methodology and the Office of Government Commerce (OGC) Gateway Review System, incorporating risk assessment, risk management, option appraisal, cost v benefit analysis, etc. This ensures that investments are planned, managed and delivered prudently.

14.2 The Capital Investment Programme Board (CIPB) has a remit to review the financial performance of the Capital Programme and from month 3, it receives a monthly monitoring report. In addition, financial monitoring reports will be considered by Cabinet at months 3, 6, 8 and 9 (each month from 3-9 during the period of the COVID-19 pandemic), together with a capital outturn report. Issues that have been considered and agreed at the CIPB can be reported to Cabinet as necessary via the regular financial monitoring reports.

14.3 The undertaking of the detailed annual review of the Capital Programme provides the opportunity to review all schemes or focus on specific areas of concern.

14.4 Where a potential cost overrun has been identified, the CIPB will explore possible solutions in detail. It will also consider any under spending or identified surplus resources which can be added to the central pool of resources. The CIPB may also suggest a reallocation of resources to other projects.

14.5 Where there is a delay in the commitment of programme/project resources, the CIPB will require project managers to report the reasons for the delay and consider whether it would be appropriate to recommend the decommissioning of the project and the reallocation of un-ringfenced resources to other projects.

14.6 The performance of the Capital Programme is also measured by the prudential indicators which are reported to Cabinet/Council as part of the Treasury Management Strategy, the Treasury Management half-yearly review, and the annual review.

15 The Capital Investment Programme Board

15.1 The Capital Investment Programme Board (CIPB) is an Advisory Board and is chaired by the Deputy Leader and Cabinet Member for Finance and Green. The lead Chief Officer for CIPB is the Deputy Chief Executive People and Place. The Leader of the Council and the Deputy Leader and Cabinet Member for COVID-19 Response have a standing invitation to all meetings. The Board is supported by the Director of Finance, the Director of Economy, the Director of Education, Skills and Early Years and the External Funding Manager. The Board has a Terms of Reference and detailed reporting performance processes which are included at Annex B.

15.2 All Directorates are represented at Director level by invitation to attend CIPB as and when projects for which they are responsible are being considered. The Chair may also invite the relevant Cabinet Member to attend when a project within their portfolio is being discussed.

Priority Areas for Investment

The priority investment areas identified for the 2021/22 to 2025/26 period covered by this Capital Strategy document are set out below, along with information about longer term projects which are emerging through the vision for the borough.

The Capital Strategy is split between two distinctive elements, the short to medium term and a longer-term vision. The short to medium term years 0 to 5 focus towards the delivery and implementation of a wide range of capital schemes covering priority capital schemes. At this stage, the management of potential risks in the acquisition of assets or delivery of capital schemes is significant for the Council. It must be noted that within the short to medium term timeframes the Capital Programme may be amended with the introduction of urgent, high priority capital schemes. The programme will need to be flexible to ensure that it can incorporate schemes to meet the requirements or opportunities that arise. This stage also allows the Council to develop plans that contribute to the Council's immediate priority objectives such as the town centre vision, housing and borough wide regeneration.

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

The breakdown of funding by project area is shown across the current programme to 2025/26 at Annex C. The narrative supporting the programme is set out below together with information about projects which the Council plans to take forward in the following 10 years from 2026/27 to 2035/36.

1 Continuation Funding

There are requirements for the continued annual funding of existing programmes of work across the current five year programme and beyond. However, as mentioned in paragraph 3.3 in the Strategy, following the outcome of the review of the Capital Strategy 2021/22 to 2025/26, in the financial year 2025/26 no additional funding has been allocated to the programme in the following areas as cumulatively there is deemed to be sufficient unallocated resource to meet existing needs. The principle of continued funding remains and will be revisited as part of the 2022/23 Capital Strategy. The continuation of funding schemes are summarised as follows:

a) Corporate Major Repairs /Disability Discrimination Act (DDA) Adaptations/ Legionella / Health and Safety Projects (Corporate Landlord Function)

Spending in this area aims to enable the Council to secure the integrity of the corporate estate and ensures that the Council is compliant with its statutory obligations under DDA and Health and Safety legislation. Provision for such expenditure is included within the People and Place – Corporate Property service budget which has an allocation of £6.435m in 2021/22.

b) School Condition Works

The Council has provided resources to address the most immediate needs (priority 1) for condition works within the school estate. There is however, increasing demand on the school condition works budget to address priority 1 condition issues as well as other preventative works prior to arrival at priority 1 status. Provision is included within the People and Place – Corporate Property (Education Premises) budget.

c) ICT Strategy

The core elements of the ICT strategy are still relevant and the Council is able to evolve and grow under the following principle themes:

- Mobility - enabling staff to work from where they need to, not where they have to. This has meant modernising end user devices (laptops and smartphones) and email as well as introducing Office365, including SharePoint, OneDrive and Teams as a collaboration platform. The introduction of this technology during 2018/19 enabled Oldham Council to quickly move to remote working in response to the COVID-19 pandemic during 2020. A focus for 2021 will be removing fixed desk telephones and introducing Wifi first.

- Platform + Agile - fewer systems that are better integrated (using an IBM integrated engine) and developed using Agile delivery techniques. This approach enabled the development of a system to coordinate contact from residents needing access to support as a result of COVID-19 by integrating core systems with a cloud based Customer Relationship Management tool to quickly develop functionality, enabling effective management and reporting in a rapidly changing landscape. This approach will be developed and reused by the Digital Strategy and Programme throughout 2021 and beyond.

- Cloud First - reducing technology assets that are owned and maintained by the Council, preferring ready to use digital tools that are available, securely, over the internet. This approach enables greater business agility especially when coupled with Agile delivery techniques and enables greater focus on creating better services for residents, rather than maintaining legacy systems.

- Data Analytics - building upon the above themes and principles to create the conditions where Oldham Council can understand the borough better and use this insight to improve services

All activity is aligned to ensuring Cyber Security Defences are in place and improving disaster resilience.

Provision is included within the People and Place – Information Technology service budget which has funding available of £2.898m in 2021/22.

d) Social Care

This resource will provide additional support for disabled adaptations, transformational schemes to further health and social care integration, and wider social care initiatives. Provision is included within the Community Health and Adult Social Care service budget.

e) Environmental Services

To support the purchase of environmental machinery, provision is included within the People and Place – Environment service budget. New funds for investment of £0.100m are available in 2021/22, from a total of £0.188m.

2 New Projects

New emerging projects for which funding may be required and for which funds could be allocated are set out in the following paragraphs. Each of these projects would need to be progressed by the submission of detailed and fully costed business cases demonstrating how they achieve corporate priorities. Projects have been categorised based on current information over a delivery timeframe focused on;

- those that will be initiated and delivered in the five years of this strategy period (2021/22 to 2025/26); and
- those which will progress from 2026/27 to 2035/36 (a further 10 year timeline).

It is probable that due to rephasing, some projects will move from the first to the second delivery period.

Projects to be Delivered in Years 0-5 (2021/22 to 2025/26)

a) Social Care

The Council has extensive responsibilities to deliver an adequate standard of social care and works closely with National Health Service partners. The Council will address identified needs or opportunities to facilitate enhanced service provision and support income generation in respect of community health and adult social care. The current budget within the strategy is £2.303m and is available for such investment.

This resource will provide additional support for disabled adaptations, transformational schemes to further health and social care integration, and wider social care initiatives. Provision is included within the Community Health and Adult Social Care service budget.

b) Better Care Fund (Disabled Facilities Grants)

The demand for major property adaptations to premises continues to rise, particularly because of the increase in numbers of elderly clients and also of very disabled children where medical advances have seen improvements in life expectancy. There are also increased requests for adaptations to FCHO properties.

For 2020/21, the final Better Care Fund (BCF) capital allocation in the form of Disabled Facilities Grant (DFG) was £2.091m. The grant was un-ringfenced but, given the Council's obligation to undertake adaptations, the strategy of the Council is to passport the full grant allocation for the intended purpose; to support housing adaptations (it is important to note that grant is included within the Pooled Fund in place between the Council and Oldham CCG). Where 2020/21 resources have not been utilised, they will be carried forward into 2021/22 (estimated at £1.006m). At present, there is no notification of funding allocations for 2021/22. There is however an anticipation that it will be of a similar amount, therefore an estimated of £2.000m has been included in the 2021/22 Capital Programme. Any funding received will be allocated using the same principles as were applied in 2020/21. Total provision of £3.006m is included within the Community Health and Adult Social Care - Disabled Facilities Grant service budget for 2021/22.

c) Green Initiatives and Decarbonisation

In March 2020 the Council adopted the Oldham Green New Deal Strategy, which set carbon neutrality targets for Council Buildings and Street Lighting (by 2025) and for the borough (by 2030). The approach set out by the strategy envisages a mix of Council, private sector and national / third sector grant funding to finance the achievement of these targets, with a focus on stimulating economic activity in the key low carbon and environmental sector to create jobs and training opportunities for Oldham residents and businesses.

With this in mind, the Capital Programme included an allocation for Green New Deal schemes in the 2020/21 financial year. However, the financial impact of COVID-19 has meant that this specific allocation has been withdrawn. Instead, the commitment to reduce the Council's carbon footprint will now be a feature of all relevant major schemes included within the capital programme.

Nonetheless, the underlying principle of the Green New Deal approach is that investment to create environmental and economic benefits in the borough can be financed through financially sustainable business models which result in a positive cashflow for the Council even taking into account the cost of finance. Therefore, 'green' projects which can generate a return to the Council via an 'invest to save' model can also crucially generate economic activity and expenditure which can support the local economy, and in particular high quality jobs in the growing low carbon and environmental sector.

National Government recognises the potential of the low carbon and environmental sector to deliver a 'green recovery' from the economic impacts of the COVID-19 crisis. To support this endeavour, the Government has created a £1bn 'Public Sector Decarbonisation Fund' to help public organisations achieve their decarbonisation targets and cut energy bills whilst generating business for low carbon infrastructure sector businesses. The Council is awaiting the outcome of an application for £1.066m from the fund to support the delivery of four green projects within the borough including:

- The delivery of a Solar Farm at Wrigley Head;
- 20kW of Solar PV panels for the Old Library building located on Union Street;
- The installation of Air Source Heat Pumps as part of the development of an eco centre at Alexandra Park;
- LED lighting and Solar PV panels for Oldham Leisure Centre (part of an application submitted by the GMCA).

If the bid is successful, grant funding and related expenditure will be included in the capital programme.

The Council will also seek to identify similar invest-to-save energy efficiency and renewable energy schemes across its estate, once the scope of the rationalisation of the estate is fully understood, in line with its stated aim of carbon neutrality by 2025.

d) Surplus Sites

The Council has an extended portfolio of surplus sites scheduled for disposal, for which up front capital funding may be required for enabling and other works to ensure that the land is suitable for redevelopment. The Medium Term Property Strategy and Creating a Better Place strategy encompass the disposal of surplus sites to create capital receipts and create a revenue saving. The Capital Strategy 2021/22 to 2025/26 includes an allocation within the People and Place – Other Regeneration Priorities service budget to support this enabling work. It must be noted that the Capital Programme's financing is reliant on the income generated from these disposals in the form of capital receipts.

e) Working with NHS Partners

The Council is a key member of and a driving force in the activities of the Oldham Strategic Estates Group (SEG). The Department of Health initially required all Clinical Commissioning Groups (CCG) to establish a SEG within their locality, and whilst the group initially had a 'Health' focus, this has been broadened to encompass a 'One Oldham Estate' approach. This is closely aligned to the Government's One Public Estate (OPE) principles which in essence seek to maximise the efficient use of the public sector estate through co-location and joint service delivery, releasing surplus land and property to support regeneration, residential development and inward investment. The Oldham SEG has a 'strategic' rather than 'operational' focus and has developed an SEG Implementation Plan (SEP), identifying development of integrated public sector hubs and mapping existing estate and utilisation as key priorities. It is closely aligned to and supports delivery of Oldham's Locality Plan for Health and Social Care.

The provision to support working with NHS partners is part of the Creating a Better Place Strategy within the People and Place Directorate.

f) School Investment

There continues to be pressure on primary and secondary places within areas of Oldham, with little capacity at several schools as the school population continues to increase. School capacity and improving the standard of the facilities within schools remains a priority and the Council will consider additional investment in its own right or to complement any Government resources that may become available.

The Council is aware that the Government could in the future introduce a range of grant funding opportunities for schools. There may also be opportunities to utilise funding from the Department of Education (DfE) for new schools with an academy partner. Schemes of this nature require the Council to release land for the school to be built upon. In such instances the Council will dispose of land without recompense, via a land swap or other such appropriate land transaction. The Council may also deem it appropriate to allocate its own resources to support schemes as it sees fit.

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

g) GM Investment Fund Loans

In line with the approved scheme initiated and underwritten by the Greater Manchester Combined Authority (GMCA), the Council may manage loans to qualifying businesses to support the growth ambitions as set out in the GM strategy.

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

h) Creating a Better Place including COVID-19 Recovery

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

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

Key schemes within the Creating a Better Place Strategy include:

- Schools – A range of new build and school expansion schemes to ensure there are sufficient school places for the borough's children. Schemes include the provision of a new secondary school at Saddleworth and the expansion of North Chadderton school. The Creating a Better Place Strategy now encompasses schemes financed through Education Basic Need grant.

- New Homes – The aim of the Housing Strategy is to provide a diverse housing offer that is attractive and meets the needs of different sections of the population at different points in their lives and focusses on the dynamics between people, homes and the wider economy. A key strand of this approach remains the provision of a Flexible Housing Fund (FHF). This is a fund to support external partners and the Council to self-develop housing in less viable areas. It will ensure developments are brought forward and support the delivery of the required number of new homes within the borough. Investment in building new homes is a priority at key town centre sites and sites around the borough.

- Town Centre Regeneration – The Council continues to deliver considerable investment in the town centre with the recent acquisition of the Spindles and Town Square Shopping Centres. Plans are being created to redevelop the centre so it is not focused solely on retail. The centre's redevelopment will also release other town centre sites for repurposing including the provision of housing and additional green space. It will also help reduce corporate landlord costs and backlog maintenance liabilities which are reflected in the Council's revenue budget savings proposals.

- Borough-Wide Regeneration - The Council is investing in borough-wide regeneration initially via initiatives through housing and employment sites at Broadway Green, Hollinwood and Salmon Fields. All these sites are expected to advance further within the next five years. The Council will take advantage of suitable development opportunities throughout Oldham in order to advance its regeneration objective.

Following the refresh of the strategy and the introduction of stricter PWLB Lending Terms, schemes which were primarily associated with corporate property investment activities or which do not make a sufficient contribution to strategic objectives have been removed from the programme.

The Creating a Better Place programme includes £287.857m of schemes including £37.291m included within the 2020/21 programme, a further £250.466m between 2021/22 and 2025/26. The revised programme is forecast to achieve revenue savings of £8.2m per annum which are reflected in the Council's proposed revenue budget and medium term financial strategy. These savings largely rely on the completion of capital schemes which can take time to deliver meaning their realisation will occur in 2022/23 and 2023/24.

It is also hoped that the ambition set out within the Creating a Better Place Strategy will be supported with significant grant support from the Government's National Infrastructure Strategy including the Towns Fund and the provisional award of £10.750m from Future High Streets Fund. At the time of preparing this strategy, the Council is still awaiting the outcome of bids for resources from the Towns Fund and is engaging with MHCLG regarding the allocation of provisional funding from the Future High Streets Fund which is £4.802m lower than the original bid of £15.552m. The Council will engage with the MHCLG to determine how to prioritise and allocate the provisional funding.

i) Medium Term Property Strategy (MTPS)

The MTPS review is a key element of Creating a Better Place encompassing exciting plans for property led change.

The MTPS and its implementation is key to the Council achieving both cost savings and a more efficient use of the corporate estate, contributing to the delivery of revenue budget savings and a reduced requirement for backlog maintenance as well as informing the development of an asset disposals programme to reduce Council holdings of surplus assets and generate additional capital receipts.

Given the impact of the COVID-19 pandemic on current and future demand for property, the MTPS is currently under review. The MTPS is also at the centre of numerous interdependencies which will also shape future requirements including:

- The revised Creating a Better Place Strategy (see above);
- Housing delivery targets set out in the Council's Housing Strategy;
- The One Public Estate programme which seeks to deliver ambitious property-focused programmes in collaboration with central government and other public sector partners;
- Place-Based Working centred around providing services from five districts / hubs within the borough.

The MTPS seeks to take a holistic review of land and property assets whether Council owned or within the ownership of One Public Estate partners to ensure the Council:

- delivers against ambitions for energy efficiency;
- delivers against ambitions for public buildings to be carbon neutral by 2025;
- ensures scrutiny of its own accommodation to ensure value for money and best utilisation for staff and services; and

- has regard to the views of Ward Members / Portfolio holders.

The COVID-19 pandemic has undoubtedly had a major adverse impact on the economy, and this has inevitably disrupted the Council's asset disposal programme. Alongside the MTPS, the Council is currently reviewing its disposal programme to focus on 'fast tracking' a smaller number of assets for sale focusing on those with high management intensity and longer term liabilities/risks.

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

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

- Ambitious town centre residential proposals to develop up to 2,000 new homes in the town centre over the next 5 – 10 years.
- Developing temporary accommodation to meet homelessness demands -There has been a significant increase in the number of homeless households who need help and support. To address this, a range of sustainable options are being considered including the purchasing of a building which could accommodate 18 self-contained flats, and a long-term lease on a building which could accommodate 25 units of mixed accommodation (self-contained and shared). Pursuing these types of long-term arrangements would not only address a definite need but also support the revenue budget by reducing the high levels of reactive costs such as bed & breakfast accommodation charges.
- Developing the Purchase and Repair and Lease and Repair pilot schemes in the private rented sector - The Council has launched a pilot empty homes intervention project to work with owners of empty homes to bring their properties back into use through one of the two options available from the Council. A combination of HRA funding and Homes England Grant funding has enabled the development of Purchase & Repair and Lease & Repair options; designed to financially support landlords in bringing their properties back into use. It is envisaged that this scheme will be widened post the pilot phase. This accommodation will be used to prevent homelessness by offering suitable, long term accommodation for those in need. This accommodation will also assist with the 'move-on' options from those households in temporary accommodation by providing a suitable, longer term, settled abode.
- Direct delivery of new homes – Through the Creating a Better Pace programme and the Flexible Housing Fund the Council is able to bring new homes online which will be added to the council's HRA stock. The development at Primrose Bank has produced 19 units for social rent that came online in January 2021. Some HRA infill sites are also being used to deliver specialist housing provision with a view to bringing on 40+ new units of specialised housing for social rent.

k) Greater Manchester Devolution and Related Initiatives

Development under the devolution agenda is an evolving programme of activity at the wider GM level. Working in partnership with the GMCA and other Local Authorities, the Council will seek to support new initiatives related to transport, housing and economic regeneration.

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

l) Matched Funding for Grant Bids

The Council is mindful that the Government or the GMCA may introduce a range of grant funding opportunities for which bids must be submitted at short notice, some of which may have a matched funding requirement. The Council's strategy will be to respond as it considers appropriate to bidding arrangements, ensuring that bids are submitted which align with its objectives and that matched funding requirements are considered on a scheme by scheme basis with resource requirements prioritised accordingly.

Oldham is one of the 101 towns identified for support from the Towns Fund Government grant funding initiative. The Council has assembled a Towns Fund bid worth around £41m. If successful, the bid will help finance the redevelopment of a number of key town centre sites, the Northern Roots project and the feasibility of developing a district heat network. Whilst the bid will require support from Council resources, it will have the potential, if successful, to provide a major source of funds to enhance the impact of the Creating a Better Place strategy. Any match funding requirements are accommodated within the overall resources included in this capital strategy.

It is not yet clear if any of the funding streams flowing from the National Infrastructure Strategy including the new Levelling Up Fund (£600m in 2021/22 and £4bn over the life of the Parliament) or the UK Shared Prosperity Fund (£220m in 2021/22) will require any matched funding.

m) Northern Roots

This scheme is part of a long term vision to develop Snipe Clough in the east of the borough to an agri-park. This incorporates a wide range of initiatives and includes growing hubs and recreation areas. The scheme will also contribute to social prescribing and boost tourism.

No specific provision has been included for Northern Roots within the capital programme but the scheme has been included within the Council's Towns Fund bid.

n) Royton Town Centre Development

In line with the Co-operative Council ethos, a capital priority is investment in neighbourhoods, in particular the creation of hubs around neighbourhood town halls. The allocation that remains within the Capital Strategy for the Royton Town Centre development is £1.500m. The provision is included within the Creating a Better Place Strategy in the People and Place Directorate under the heading of Royton Town Centre Developments.

o) Transport Capital Programme

The Council secures capital funding for investment in maintaining and improving the local transport network from several different sources, including Central Government, which allocates funding largely through the statutory Local Transport Plan (LTP) - the Greater Manchester Transport Strategy 2040 - and it's supporting 5-year Delivery Plan. Most of this funding is brought into the Transport Capital Programme and comprises a mix of grants and borrowing. Where transport funding forms an integral part of a regeneration project, it may be brought into the Regeneration Capital Programme, as was the case with, for example, the Growth Deal 2 grant of £0.800m towards delivery of the highway infrastructure associated with the Albert Street development at Hollinwood.

Transport for Greater Manchester (TfGM) has been working with the GMCA, the ten Greater Manchester Councils, including Oldham, and the Greater Manchester Mayor to prepare new, and updated, transport strategy documents that cover the entire city-region. This work includes a refreshed version of the region's long-term, statutory local transport plan - the Greater Manchester Transport Strategy 2040 - and a final version of Our Five-Year Delivery Plan (2020-2025) which sets out the practical actions planned to deliver the Strategy over the next 5 years. Approval will be sought from GMCA in early 2021 to publish final versions of these updated transport strategy documents. The five-year delivery plan is based on committed resources and intended to be updated annually. The Council has adopted the principle that all un-ringfenced grants secured through the GM Local Transport Plan will be passported for investment in the transport network.

Greater Manchester's suite of transport strategy documents will also now include ten Local Implementation Plans, one for each Greater Manchester Council, including Oldham Council, which provide more detail on the how the GM2040 Transport Strategy will be delivered locally.

Oldham Council normally prepares a Transport Capital Programme to cover a three-year timeframe for the resources allocated through the Local Transport Plan (LTP). The current programme ends in 2020/21. On 15 February the Department for Transport announced single year funding allocations for 2021/22 for the Highways Maintenance Block (HMB) and the HMB Incentive element, Pothole and Challenge Funding and the Integrated Transport Block. As Oldham Council operates within a 100% Business Rates Retention arrangement, funding is allocated to the GMCA which in turn allocates the funding to the the 10 District Councils in GM. GMCA has advised of indicative allocations for 2021/22. These indicative figures have been included in the capital programme.

Key elements of the Transport Capital Programme include:

- A £6.000m investment of Devolved Growth Deal funding for the Growth Deal 3 Accessible Oldham Town Centre scheme forecast to be completed in 2021/22;
- An annual programme of minor LTP funded works that includes highway maintenance, bridges and structures, road safety, traffic management and cycling and walking schemes. The GMCA has to date distributed the LTP resource in line with the indicative Local Authority allocations calculated by the Department for Transport, including an Incentive Fund allocation and additional Integrated Transport Block resource. In accordance with previous practice, GMCA has advised of 2021/22 indicative allocations for the Highways Maintenance Block of £1.361m, the HMB Incentive element of £0.340m and Pothole and Challenge Fund of £1.362m;
- A £12.000m Highway Improvement Programme that the Council is funding with Prudential Borrowing to improve the condition of the network over the period 2019/20 – 2021/22 (in addition to the £6.000m included in the 2018/19 programme);
- A GM Mayor's Cycling and Walking Challenge Fund grant of £0.700m for delivery of Tranche 1 schemes and £11.8m for Tranche 6;
- A £4.714m DfT Highway Maintenance Challenge Fund grant for Waterloo Street and Wellington Street bridges on Oldham Way; and
- A £0.535m Department for Transport Active Travel Fund Tranche 2 grant.

Securing additional grant funding for investment in transport infrastructure is an Oldham Council priority and an ongoing activity. There are a number of bids for which the Council is awaiting a decision from the funder, which may or may not require a match funding contribution, including:

- The Department for Transport's Local Pinch Point Fund;
- The Future High Street Fund, for further elements of the Accessible Oldham Town Centre programme: and
- The Environment Agency (EA) Flood Management Programme (Grant in Aid and Local Levy Fund).

The National Infrastructure Strategy published along with the Government's Spending Review in November 2020 announced a number of transport funding opportunities that could result in significant levels of investment in the City-Region through competitive bidding processes. Further details of these funds and how they can be accessed are awaited, but at national level can be summarised as follows:

- An additional £120m in 2021/22 for electric buses;
- £300m to drive transformation of bus services;
- Five years of capital funding confirmed for HS2 (at around £5-6bn a year);
- £800m a year for the first three years of the £4.2bn Intracity Transport Fund for Mayoral Combined Authorities, to start in 2022/23 (plus £50m resource funding in 2021/22 to support Mayoral Combined Authorities to prepare for these settlements);
- £400-600m per year for electric vehicle (EV) charging infrastructure (£275m for charge points in homes, workplaces and on-street locations, and £90m for local EV charging infrastructure); and
- Active Travel Fund;

Transport for Greater Manchester is working in partnership with the ten GM Local Authorities to ensure that the city-region is in a position to maximise its share of any transport funding that does become available. As part of this process, Oldham Council will continue to make the case for transport investment in Oldham, which could require the Council to provide local funding contributions.

Provision for transport capital spending is included within the People and Place – Transport service budget (£29.019m in 2021/22).

Funding for Emerging Priorities

The Capital Programme includes an unallocated resource that can be deployed to support existing priority schemes or new initiatives, including those highlighted above for which no specific allocation exists, for example Greater Manchester Devolution and Related Initiatives and Matched Funding for Grant Bids.

This is considered a prudent approach to allow flexibility, revision and reassessment of understanding priorities. Provision of £1.442m is available in 2021/22 with a further £12.796m available over the rest of the Capital Programme period.

Projects to be delivered over a further 10 years (2026/27 to 2035/36)

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

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

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

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

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

Most schemes included within the further than 10 year timeframe are the longer-term development of projects already within the initial 0 to 5-year timeline. However, each scheme will move through different phases with different objectives and expected outcomes. The schemes below have an implementation period of between 6 to 15 years covering the period 2026/27 to 2035/36 and reflect the next stage of the Creating a Better Place Strategy.

a) Town Centre Vision

The extent of capital funding required by the Council is currently uncertain and will need to be kept under review. As the programme of work evolves, this may require complementary investment for additional strategic acquisitions, car parking, public realm works or other regeneration developments.

b) Borough-Wide Regeneration

The Council is currently investing in borough-wide regeneration initiatives through housing and employment sites at Broadway Green and Hollinwood. Through the development partnerships and the Creating a Better Place strategy, further investment is required by the Council for larger regeneration at these sites.

c) Partnership and Joint Working

The Council will aim to pursue joint partnership working with other public bodies, not for profit organisations and the private sector where it is advantageous to do so and to keep under review existing relationships.

d) Northern Roots

As outlined earlier, this scheme is a long term vision to develop Snipe Clough in the east of the borough to an agri-park. It will be delivered in phases over an expected 10 year programme.

e) Housing

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

Annex B

Capital Investment Programme Board

1 Terms of Reference

1.1 The Capital Investment Programme Board (CIPB)'s terms of reference are:

a) To develop the overall Capital Strategy and annual programme in accordance with the priorities set out in the Council's corporate plan.

b) The recommendation of the overall Capital Strategy and programme to Cabinet and Council.

c) Once the overall Strategy and annual programme of expenditure have been approved at Council:

   i) The consideration and recommendation of approval of the detail of the thematic programmes (e.g. Transport Capital Programme).

   ii) The consideration and recommendation of approval of any amendments to the annual programme.

   iii) The recommendation of approval of any new capital projects.

   iv) The detailed appraisal of projects, taking into consideration the Council's Capital Strategy, priorities and annual aims and objectives.

   v) The review of potential commercial risk and Value for Money issues on any proposal for the use of capital.

   vi) To provide a forum for establishing and providing robust challenge and debate around the Capital Programme.

   vii) To undertake a detailed annual review of the Capital Programme.

   viii) The review of the Council's Capital Programme on an on-going basis and to ensure it is achieving the agreed outcomes and consideration of the financial monitoring report.

   ix) The monitoring of the performance of projects and programmes within the Council's Capital Programme.

1.2 The Board oversees capital projects from inception to completion to ensure they are delivered efficiently and effectively and in line with the Council's corporate objectives.

1.3 The Board assesses all submissions for capital expenditure prior to them entering into the normal reporting process for approval. The Board therefore makes recommendations to the appropriate decision maker/forum, whether this is a Member under delegated responsibility, Cabinet or Council.

2 Membership

2.1 The Chair of the CIPB is the Deputy Leader and Cabinet Member for Finance and Green. The Leader of the Council and the Deputy Leader and Cabinet Member for COVID-19 Response have a standing open invitation, other Cabinet Members may be invited to attend CIPB at the discretion of the Chair.

The lead Chief Officer for CIPB is the Deputy Chief Executive, People and Place.

Officers in attendance at CIPB are:

a) The Director of Economy
b) The Director of Finance
c) Senior Members of the Finance Service
d) Director of Education, Skills and Early Years
e) External Funding Manager
f) Representatives from Legal Services, Human Resources, Procurement and Information Technology as required

2.2 All Directorates will be represented at Director level by invitation to attend CIPB as and when projects for which they are responsible are being considered. The Chair may also invite the relevant Cabinet Member to attend when a project within their portfolio is being discussed.

2.3 The CIPB is supported in its work by the Strategic Regeneration Project Management Office which oversees the management and governance of strategic regeneration projects.

3 Reporting and Performance Process

3.1 CIPB will report to Cabinet, Council and the Overview and Scrutiny Performance and Value for Money Select Committee as appropriate.

3.2 CIPB has a remit to review the financial performance of the Capital Programme and it will receive a monthly monitoring (highlight) report from month 3 onwards.

3.3 The Board meets on a monthly basis to ensure there is a managed approach to:

a) Discussing and recommending actions in relation to capital issues
b) Developing the Capital Strategy
c) Developing the Capital Programme for the year ahead
d) Considering and approving business cases
e) Monitoring performance of individual capital projects and the whole Capital Programme
f) Reviewing the availability of capital resources and reprioritisation of resources as required

3.4 The CIPB also undertakes an annual review of the Capital Programme which will examine all schemes in the programme to:

a) Ensure that schemes still meet corporate priorities
b) Review their continued relevance in the context of a dynamic and constantly developing organisation
c) Consider the progress of schemes including any reasons for delayed starts or variations to approved budgetary allocations and rephasing of planned expenditure
d) Identify any unutilised or underutilised resources

e) Consider any reallocation of resources

3.5 It will also initiate periodic reviews of the whole or part of the programme as required in response to specific issues or concerns.

3.6 Issues that have been considered and agreed at the CIPB can be reported to Cabinet as necessary via the regular financial monitoring reports, presented at months 3, 6, 8 and 9 (at least).

3.7 Pooled and locally ring-fenced corporate capital resources will be managed by the CIPB; it will review all bids for resources, evaluate them and then agree on the prioritisation of resources accordingly. A proposal will be prioritised in accordance with criteria set out in Section 12 of the Strategy.

3.8 The CIPB will also review any bids for and use of any ringfenced capital resources to ensure alignment with other spending plans and the maximisation of benefits to the Council and achievement of Council objectives.

3.9 The CIPB will recommend the use of both un-ringfenced and ringfenced capital resources and also the general prioritisation of resources so that Council, Cabinet and Cabinet Members exercising delegated authority can make a final well-informed decision on the utilisation of resources, as appropriate.

4 Decision Making

4.1 In relation to the approved Capital Programme, CIPB will make recommendations regarding the approval of business cases and virements both within and between approved programme areas. In all such cases, the decision maker is the Deputy Leader and Cabinet Member for Finance and Green, in consultation with the Deputy Chief Executive, People and Place and the Director of Finance.

5 Decision Recording

5.1 CIPB will make recommendations on receipt of a formal delegated decision report which will be presented to the appropriate Members/Officers for approval. Key decisions must be included in the published key decision document and all decisions taken (see above) will be recorded on Modern.gov.

6 Governance

6.1 CIPB is the only body within the Council (below Council level) that can recommend new investment in projects within the approved Capital Programme. Therefore, the key role of CIPB is to consider the following milestones which define key stage boundaries that require investment decisions. A project can only progress to the next stage on the recommendation of CIPB.

a) Strategic business case – initial concept/scope of a project.
b) Outline business case - delivery strategy to design and procurement stage.
c) Full business case - design and procurement stage to delivery and handover stage.

6.2 The Council has agreed that prudential borrowing provision is not necessary for capital expenditure incurred in lieu of capital receipts. Any such schemes will be classified by the CIPB as ‘Borrowing in Lieu of Capital Receipts’. CIPB will also determine which capital receipts will be used to finance the scheme and as the receipts are achieved, they will be applied to repay the debt.

7 CIPB Sub-groups

7.1 CIPB may at its discretion convene a sub-group for a specific purpose or purposes. Updates from these meetings are reported to CIPB.

Current sub-groups are:

a) Corporate Property Board
b) Schools Capital Programme Board
c) IT Strategic Investment Board
d) Transport Programme Board

The core officer membership for each sub-group comprises:

a) The relevant Director for specific Boards as Chair; e.g. the Director of Education, Skills and Early Years chairs the Schools Capital Programme Board
b) The Director of Legal Services
c) The Director of Finance

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

a) Manage external funding at a strategic level.
b) Identify potential grants and additional sources of funding.
c) Manage the process for applying the funding and approve bids for funding.
d) Monitor on-going compliance with grant terms and conditions and assess any financial risk including grant claw back.
e) Provide a Regeneration Plan/framework that can enable the Council to proactively react to funding opportunities as they arise whether locally or nationally.
f) Ensure there are sufficient personnel to enable the Council to proactively react to funding opportunities as they arise.

Annex C

Capital Programme 2021/22 to 2025/26

Expenditure	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000
Corporate Services	**5,320**	**69**	**69**	**138**	**-**
Strategic Investments	3,320	69	69	138	-
Flexible Use of Capital Receipts	2,000	-	-	-	-
Children's Services	**6,110**	**13,200**	**13,742**	**-**	**-**
Children, Young People and Families	118	-	-	-	
Schools - General	63	5,000	4,641	-	-
Schools - Primary	942	-	2,216	-	
Schools - Secondary	1,404	4,200	6,884	-	-
Schools New Build	3,583	4,000	-	-	-
Communities & Reform	**637**	**-**	**-**	**-**	**-**
District Investment Fund/Local Investment Fund	637	-	-	-	-
Community Health and Adult Social Care	**3,409**	**400**	**400**	**1,100**	**-**
Social Care	403	400	400	1,100	-
Disabled Facilities Grant	3,006	-	-	-	-
People and Place	**65,671**	**68,158**	**46,093**	**58,665**	**23,558**
Corporate Property	6,435	1,359	1,500	1,500	-
Environment	188	1,092	100	100	100
Information Technology	2,898	2,487	2,186	-	-
Neighbourhood Development Fund	213	-	-	-	-
Other Regeneration Priorities	5,924	25,053	12,000	35,092	19,485
Private Sector Housing	929	5,110	5,000	5,000	-
Royton Town Centre Development	300	1,200	-	-	-
Schools	289	-	-	-	-
Town Centre Regeneration	19,477	26,194	23,292	15,000	2,000
Transport including Fleet	29,019	5,663	2,015	1,973	1,973
Housing Revenue Account	**3,412**	**8,127**	**7,914**	**1,150**	**-**
Housing Revenue Account	3,412	8,127	7,914	1,150	-
Capital General	**1,442**	**4,200**	**3,200**	**1,500**	**3,896**
Funding for Emerging Priorities	1,442	4,200	3,200	1,500	3,896
Budget Expenditure Total	**86,002**	**94,153**	**71,418**	**62,553**	**27,454**

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

Resources Available	**2021/22 £000**	**2022/23 £000**	**2023/24 £000**	**2024/25 £000**	**2025/26 £000**
Ringfenced Grants	**(24,210)**	**-**	**-**	**-**	
Challenge Funding	(4,134)	-	-	-	-
Devolved Formula Capital (DFC)	(372)	-	-	-	-
Growth Deal 3	(4,932)	-	-	-	-
DfT Active Travel Fund	(535)				
Healthy Pupil Capital Fund (HPCF)	(11)	-	-	-	-
Housing Infrastructure Fund - (HCA)	(729)	-	-	-	-
Mayor's Cycling and Walking Challenge Fund	(11,273)	-	-	-	-
Safer Roads Fund	(277)	-	-	-	-
Pothole Challenge Fund	(1,362				
Highways Maintenance Incentive Fund	(340)				
School Nurseries Capital Fund (SNCF)	(239)	-	-	-	-
Special Provision Fund - Pupils with Special Educational Needs (SEN) And Disabilities 2018-2021	(6)	-	-	-	-
Un-ringfenced Grants	**(11,459)**	**(3,993)**	**(8,971)**	**(1,973)**	**(1,973)**
Basic Need Capital Grant	(1,479)	(2,200)	(6,998)	-	-
Better Care Fund (Disabled Facilities Grant) 2020/21	(1,006)	-	-	-	-
Better Care Fund (Disabled Facilities Grant) 2021/22	(2,000)	-	-	-	-
School Condition Allocation	(3,706)	-	-	-	-
Local Transport Programme - Highway Maintenance Grant	(3,268)	(1,793)	(1,973)	(1,973)	(1,973)
Other resources – Capital Receipts	**(3,999)**	**(7,178)**	**(2,502)**	**(1,661)**	**-**
Agreed Council Resources	(1,999)	(7,178)	(2,502)	(1,661)	-
Flexible Use of Capital Receipts	(2,000)	-	-	-	-
Other resources - Other	**(51)**	**-**	**-**	**-**	**-**
Contribution from 3rd Parties	(51)	-	-	-	-
Other resources - Prudential Borrowing	**(42,871)**	**(74,856)**	**(52,031)**	**(57,769)**	**(25,481)**
Prudential Borrowing	(42,871)	(74,856)	(52,031)	(57,769)	(25,481)
Revenue Contribution - Housing Revenue Account (HRA)	**(3,412)**	**(8,127)**	**(7,914)**	**(1,150)**	**-**
Revenue Contribution to Capital Outlay - HRA	(3,412)	(8,127)	(7,914)	(1,150)	-
Resources Total	**(86,002**	**(94,193)**	**(71,418)**	**(62,553**	**(27,454)**

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

Flexible Use of Capital Receipts Strategy

Introduction

In March 2016, the Secretary of State for Housing, Communities and Local Government issued Statutory Guidance that permitted Local Authorities to use capital receipts to fund the revenue costs of transformation for the period 1 April 2016 to 31 March 2019. This flexibility was then extended to 31 March 2022 as part of the 2018/19 Local Government Finance Settlement (LGFS).

Alongside the Final LGFS in February 2021, this flexibility was extended for a further three year period (2022/23 to 2024/25), although at the time of preparing this strategy, the guidance had not yet been released.

Statutory Guidance

The Statutory Guidance and supporting ‘informal commentary’ published in March 2016 states that Qualifying Expenditure is “expenditure on any project that is designed to generate ongoing revenue savings in the delivery of public services and/or transform service delivery to reduce costs and/or transform service delivery in a way that reduces costs or demand for services in future years for any of the public sector delivery partners. Within this definition, it is for individual Local Authorities to decide whether or not a project qualifies for the flexibility”.

Examples of Qualifying Expenditure

The Ministry of Housing, Communities and Local Government (MHCLG) has indicated types of qualifying expenditure:

- Sharing back office and administrative services with one or more other Council or public sector bodies.
- Investment in service reform feasibility work e.g. setting up pilot schemes.
- Collaboration between Local Authorities and Central Government departments to free up land for economic use.
- Funding the cost of service reconfiguration, restructuring or rationalisation (staff or non-staff), where this leads to ongoing efficiency savings or service transformation.
- Sharing Chief Executives, management teams or staffing structures.
- Driving a digital approach to the delivery of more efficient public services and how the public interacts with constituent authorities where possible.
- Aggregating procurement on common goods and services where possible, either as part of local arrangements or using Crown Commercial Services or regional procurement hubs or Professional Buying Organisations.
- Improving systems and processes to tackle fraud and corruption in line with the Local Government Fraud and Corruption Strategy – this could include an element of staff training.
- Setting up commercial or alternative delivery models to deliver services more efficiently and bring in revenue (e.g. through selling services to others).
- Integrating public facing services across two or more public sector bodies (for example Children’s Social Care, trading standards) to generate savings or to transform service delivery.

The Council has used these definitions to determine qualifying expenditure in the context of Oldham Council as highlighted in Table 1.

The Council's Strategy

The Council intends to make use of the flexibility in the use of capital receipts for the financial year 2021/22.

The Council can only use capital receipts to finance Qualifying Expenditure as defined in this strategy (see Table 1) from the disposal of property, plant and equipment assets received in the year in which this flexibility is offered. The Council will not utilise capital receipts generated on or before 31 March 2021 to finance Qualifying Expenditure.

The Government direction states that the Council cannot borrow to finance the revenue costs of service reform and the Council will comply with this requirement.

This Strategy outlines the projects which plan to make use of the capital receipt flexibility and provides details of the expected savings/service transformation on a scheme by scheme basis. The Strategy can be replaced at any point during the financial year with a revised Strategy outlining an up to date position.

Council approval for the use of this flexibility is required on at least an annual basis, with plans published on the Council's website and notification of planned use sent to the MHCLG.

Summary of planned receipts

The Council's Capital Strategy and Capital Programme 2021/22 to 2025/26 includes £2.000m in capital receipts specifically for this purpose. The first call on new capital receipts received in 2021/22 will fund qualifying revenue expenditure as detailed within the Flexible Use of Capital Receipts Strategy.

Summary of planned use and savings

It is intended that capital receipts of £2.000m will fund the following transformational projects/expenditure as set out in Table 1 (note there is an element of contingency to allow for variation).

Table 1 – Planned Qualifying Expenditure

Scheme Description	Qualifying Expenditure	£000 2021/22
Creating a Better Place - Asset Rationalisation	Expenditure in relation to developing and progressing the disposal strategy/asset rationalisation strategy to streamline the Council's (and partners' estates) in line with the principles of One Public Estate	250
Creating a Better Place - Major Projects/Regeneration	Expenditure in relation to developing major Town Centre Regeneration schemes proposals to Full Business Case level in relation to the Future High Street Fund, Towns Fund and Town Square/Spindles shopping centre projects to enable the transformation of the Town Centre and the provision of Council and Partner services within it. This will focus particularly on Council/partner shared office accommodation and a cultural facilities offer leading to opportunities for both efficiencies and service improvements.	750
Transformation Programme and Project resources to support the delivery of the transformation agenda.	A specialist team to wholly support and facilitate the delivery of the Council's Transformational Programme to meet efficiencies and savings anticipated in the Medium Term Financial Strategy (MTFS).	1,171
Total		**2,171**
Contingency for variation within schemes		(171)
Total Flexible Use of Capital Receipts Relied upon to support the revenue budget in 2021/22		**2,000**

The Council has set out a Medium Term Financial Strategy (MTFS) with a three year time horizon (2021/22 to 2023/24). This is shorter than the five year timeframe for the Capital Strategy and Programme primarily due to the uncertainties of COVID, the single year funding settlement and the potentially significant changes to the Local Government Finance regime, all of which make financial planning extremely challenging.

After having proposed the approach to balancing the budget for 2021/22, the MTFS has identified significant budget reduction requirements for 2022/23 and 2023/24. However, the Council has in place a transformation programme designed around four programme workstreams together with cross cutting initiatives which will drive the delivery of budget reductions and support the achievement of the Councils Medium Term Financial Strategy.

The four programme workstreams are:

- Place Based Integration/Communities;
- Children's Services;
- Health and Care; and
- Economy.

Each is led a Member of the Executive Management Team under the leadership of the Chief Executive. The aims of the programme workstreams and an indication of the work to be undertaken is set out in following paragraphs.

A number of the proposed 2021/22 budget reductions have on-going financial implications for 2022/23 and 2023/24. These are therefore establishing the first phase of this round of the transformation programme. Budget reductions aiming to deliver efficiencies of £5.253m in 2021/22 are linked to the proposals set to achieve £6.050m of efficiencies in 2022/23 and £4.756m in 2023/24 as illustrated at Table 2.

Table 2 – Forecast Revenue Savings to be Generated from 2021/22 Budget Proposals

Transformation Scheme Description	2021/22 £000	2022/23 £000	2023/24 £000	Total £000
Place Based Integration / Communities	(236)	(100)	0	**(336)**
Children's Services	(614)	(814)	(672)	**(2,100)**
Health and Care	(1,938)	(1,570)	(400)	**(3,908)**
Economy	(2,465)	(3,566)	(3,684)	**(9,715)**
Total	**(5,253)**	**(6,050)**	**(4,756)**	**(16,059)**

Forecast Service Transformation

Each of these programme workstreams has been assigned additional targets for further saving in 2022/23 and 2023/24. Preparatory work on these initiatives will be driven forward during 2021/22, with programme and project management support teams working with subject matter experts and liaising with Members, partners, and the public of Oldham in the delivery of current transformation initiatives and the design of new ones.

Programme 1 - Place Based Integration / Communities

The purpose of this programme is to transform the way in public services engage with and support communities. The place based model will underpin a new approach to engaging with people, working around a strengths-based approach and mobilising community resources with a focus on early intervention and prevention. New delivery models will be based on a single response to need, with services across the public and Voluntary, Community, Faith and Social Enterprise (VCFSE) sector working in a much more joined up way, sharing information and addressing common challenges, being closer to communities and working through the five districts of Oldham, with services configured and aligned to those localities. By organising services this way, it will reflect the needs of local areas and manage demand through more preventative approaches. This will include working through solutions to sustain Oldham's award winning approach to social prescribing using the innovation partnership. A key aim is to reduce the cost of service delivery through a reduction in buildings and assets and more effective deployment of a joint workforce (the realisation of efficiencies through the use of buildings and assets is included in the Economy programme).

Place based integration is not new to Oldham and is not a standalone programme unrelated to the way in which mainstream services are delivered. Rather it is the way that mainstream services will be delivered across public services and in partnership with residents. COVID has helped the acceleration of working as a unified public service by bringing services closer together with a new sense of shared purpose but also exacerbated the financial challenges and forced thinking about how meaningful and targeted services can still be delivered with less resources. In addition to the already well established approaches to working with NHS partners, opportunities will be taken forward for closer working with police, housing providers, VCFSE organisations and others is improving operational efficiency and effectiveness whilst also strengthening local engagement and enabling communities to contribute more significantly to improving outcomes.

This approach underpins the activities of the other workstreams and the first stage has been the alignment of districts into 5 areas for which a saving of £0.136m has been proposed for 2021/22. Having established the new teams and working arrangements, this lays the foundation for future place based initiatives. Only one on-going saving of £0.100m (in both 2021/22 and 2022/23) can be aligned to this workstream, but there is a target of a further saving of £0.500m over the life of the MTFS.

Programme 2 - Children's Services

A recent focussed Ofsted visit recognised that a sharp focus had been maintained on improvement priorities over the six month period prior to the visit and that this has increased the pace of improvement and had a positive impact on workforce culture. It is from this encouraging position that plans for the continued transformation of services can be delivered. Although there has been investment in Children's Services, expenditure has exceeded budget over several years. However, the budget has been stabilised with the injection of some additional resources for 2021/22, there is therefore the opportunity to deliver future savings.

There is an identified need for social care strength in the early help provision at the front door. Work will be directed at preventative service provision to reduce demand, building on the work that is already in train and for which savings have already been proposed. Revised service delivery models will be based on the place based approach.

Services that are commissioned from external providers will be reviewed. As contracts come up for renewal, especially where there are several contracts with different providers for similar services, opportunities will be taken to amalgamate service provision into boarder contracts with more targeted performance measurements. Also, where appropriate, a joint commissioning approach will be taken with partners to drive efficiencies and improve service outcomes. Experiences of the delivery of services during the COVID-19 pandemic have begun to demonstrate that there are different, effective and more flexible delivery models which reflect the needs and views of children and young people.

Work will continue with schools and other partners to drive efficiency in Education Service provision, again around a place based model. Work is already in train to around Special Educational Needs and Disability provision and this will be developed across the whole of Education Services, also supporting the DSG recovery plan as well as the revenue budget.

Recognising that this is one of the largest areas of expenditure for the Council, budget proposals of £2.100m have already been presented for 2021/22 to 2023/24, however a further target of £6.025m has been assigned to this workstream bringing the total to £8.125m over the period 2021/22 to 2023/24.

Programme 3 - Health and Social Care Integration

The NHS Long Term Plan sets out a vision for integrated care around the needs of local people. A recent publication, Integrating Care – Next Steps to Building Strong and Effective Integrated Care Systems across England, has signalled an internal reorganisation by the NHS that will result in Integrated Care Systems (ICS) operating from no later April 2022.

These two key documents will shape the GM health and social care devolution agenda but also specifically the operational arrangements in Oldham.

In this regard, good progress continues to be made on Health & Social Care integration. Oldham is therefore well placed to adapt to the changes and development linked to the national and regional agenda. Oldham Council and Oldham CCG are working under a joint leadership structure and together with other health partners, continue to operate as Oldham Cares. There are ambitious plans for the improvement of the delivery of health and social care which aim to ensure the future financial sustainably of the local health and social care economy. Work is taking place to consider whole system sustainability across the footprint of the Oldham Borough and deliver cross sectoral savings and efficiencies.

Linked to the health and social care devolution agenda is the opportunity to develop closer working arrangements with other partners including other GM Authorities and the GMCA. The Council is building on the existing collaborative working arrangements by:

- Sharing and co-locating more services (Oldham CCG is now based at Oldham Civic Centre) as a means to deliver future financial and operational efficiencies building on the five cluster teams already in place across the borough; and
- Moving to an outcomes based commissioning model and integrating Council and CCG commissioning functions.

Locally, the model of integrated delivery will complement health and social care integration in neighbourhoods and the place based approach as described above.

It is inevitable that change of the magnitude envisaged will take time to be developed. Indicative savings so far included within the remit of this programme workstream total £3.908m and are all attributable to the Community Health and Adult Social Care Service. As this is one of the major spending services in the Council, it is appropriate that it makes a significant contribution to the financial sustainability of the Council. However, potential savings are expected from the wider programme from 2022/23 with an additional target of £8.225m, bringing the total to £12.133m over the period 2021/22 to 2023/34.

Programme 4 - Economy

This programme is divided into two main areas as described below:

a) Creating a Better Place - Projects and Assets

The financial challenges facing the public sector have been exacerbated by the reductions in revenue arising from the economic and social conditions in the Borough. By focusing on the development of robust economic initiatives a vibrant local economy can be rebuilt together with a high-quality environment that is attractive to resident and visitors.

Corporate land and property assets are essential to the delivery of the Council's priorities. As part of the refreshed 'Creating a Better Place' initiative approved by Cabinet on 24 August 2020, the previously approved Medium-Term Property Strategy (MTPS) has been reviewed to meet the scale of the change required. At a strategic level, the review has confirmed that the Council's property portfolio can be a catalyst for building new homes, creating job opportunities, re-skilling residents through new apprenticeship opportunities, and re-engaging communities and partners through property / estate co-location and collaboration.

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

In addition, the Council will rationalise its office accommodation, where possible, following the placed based principles and co-locate staff with partners to maximise efficiencies and realise the potential of ‘One Public Estate’ for Oldham and Greater Manchester.

The regeneration of Oldham town centre remains a Council priority. The recent acquisition of the Spindles and Town Square Shopping Centres is a key part of the Creating a Better Place initiative unlocking land and development opportunities including the relocation of Council services. There are also ambitious plans for the regeneration of the borough as a whole with investment in Royton and projects in train at Hollinwood and Foxdenton.

Significant capital investment is needed to deliver the town centre vision, new homes and the vision for the rest of the borough. It is essential to have the professional and technical expertise to drive forward the change and make the most efficient and effective use of the available resources.

In addition to the budget reduction of £1.541m proposed for 2021/22, further budget reductions are expected – net of required offsetting costs. The anticipated budget reduction for 2022/23 is £2.991m with £3.684m expected in 2023/24.

b) Digital by Design

The opportunity to utilise the advantages provided by new technology and digital is one of the key enablers for much of the Council’s change agenda. The transformation of service delivery across the Council and the integrated working arising from health and social care devolution will be supported by a range of enabling activity including technology and digital change amongst others. The Council’s current IT strategy (2017 – 2022) is determining the direction of travel and is supported by £7.571m of Capital Programme investment. This Strategy and the accompanying investment has served the Council well thus far and has already provided the platform for a more flexible approach to working through the delivery of technology that improves mobility (laptops, smart phones, MS Office 365, Teams and improved network access).

The IT Strategy is being refreshed and this, along with the new Digital Strategy sets out the principles and approach to be adopted in order to enable new and more efficient ways of working and sets out the building blocks to deliver across a range of themes.

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

The Digital Services strand of the Digital Strategy is key to enabling cost reduction. The intent is to support all Service areas to review how they deliver services currently and assist the Services to re-design their service provision in order to determine how digital and technology change may extract benefits by delivering efficient, simple and easy access.

Work has started to focus on Customer delivery to change the approach to engagement with residents and businesses. This will align with the place based model. It is proposed to redesign the service including customer support services, to provide an improved customer experience and journey with local support available where needed so there will no longer be a need to travel to a central point for service. A digital maturity assessment was undertaken in 2020, using a model that assesses an organisation against five key themes, including: governance and leadership; people and culture; capacity and capability; innovation and change and technology.

The reduction in costs associated with providing digital access, self-service, automation and more efficient ways of working are expected. Indicative savings so far included within the remit of this workstream total £1.499m (£0.924m in 2021/22 and £0.575m in 2022/23). However, further initiatives, which are currently under development are expected to deliver savings from 2022/23.

Collectively the Economy workstream is expected to deliver additional savings of £5.475m 2022/23 to 2023/24 with an overall total of £15.190m over the three year MTFS period.

Enabling Activities

Each programme of work requires a specific focus from specialist functions that enable the delivery of business change. These typically include but are not limited to Human Resources and Organisational Design, Information and Communications Technology, Business Intelligence, Legal and Finance services. Through effective planning of these enabling activities the requirements of the totality of the programme with be managed to identify matters of timing, sequencing and capacity. It is evident that many of the planned workstreams and the themes within them are interlinked. However, the overall programme management of the workstreams will create a more coherent approach to the extensive change activities, provide focus on the most important projects and enable more effective management of the interdependencies.

Cross Cutting Initiatives

The opportunities for budget reductions are not confined to the four programmes or enabling activities. There are a wide range of other areas of the Councils operations that will be explored to identify other opportunities for savings and efficiencies including:

- Organisational Design
- Workforce Development
- Income Generation

Underpinning all transformation programmes will be:

- An approach to service delivery where the Council (and its partners) will be making new strategic choices based on the characteristics of Oldham, its people and communities within the borough, thus constantly striving for new opportunities for collaboration and new ways of working between organisations that share a common footprint;
- A review of the provision of discretionary services and also the level at which statutory services are delivered;
- Traditional approaches to reviewing budgets and the identification of service specific budget reductions and efficiencies including the use of benchmarking analysis and reviewing practices at other Local Authorities.

At this stage the there is still further work to assign specific budget reduction targets to cross cutting activities, indeed the overarching target could change as is based on estimates, however it is expected that £10.421m of savings will be identified from cross cutting initiatives including income generation and service specific budget reductions and efficiencies. As initiatives are progressed, more definitive estimates will become available.

Summary Transformation Programme 2022/23 and 2023/24

The table below sets out the additional transformational programme savings planned for 2022/23 and 2023/24 for which enabling work will be undertaken in 2021/22. These are challenging targets but the infrastructure is in place to take this programme forward.

Table 3 – Transformation Programme and Cross Cutting Initiatives Summary

Workstream	2021/22 £000	2022/23 £000	2023/24 £000	Total £000
Place Based Integration/Communities	0	(200)	(300)	(500)
Children's Services	0	(3,100)	(2,925)	(6,025)
Health and Care	0	(4,000)	(4,225)	(8,225)
Economy	0	(2,000)	(3,475)	(5,475)
Total Transformation Programme		**(9,300)**	**(10,925)**	**(20,225)**
Cross Cutting Initiatives	0	(4,253)	(6,168)	(10,421)
Total Budget Reduction Requirement		**(13,553)**	**(17,093)**	**(30,646)**

Given the importance of delivering budget reductions and embedding the programme of transformational change, during 2021/22, there will be a regular review of the progress of existing change programmes against the delivery milestones and financial targets. It will also ensure that there is continuous emphasis on the delivery of change and the achievement of the budget reductions required in line with the three year strategy.

Impact on Prudential Indicators

The prudential indicators that will be impacted by this strategy are set out below:

- Estimates of Capital Expenditure Indicator increased by £2.000m.
- Capital Financing Requirement increased by £2.000 as these capital receipts would have been used to support schemes within the existing programme that will now be financed through prudential borrowing.
- Financing costs as a percentage (%) of net revenue stream 13.41%

The Prudential Indicators show that this Strategy is affordable and will not impact on the Council's operational and authorised borrowing limits. Further details on the Council's Prudential Indicators can be found within the Treasury Management Strategy.

Monitoring

This Strategy will be monitored throughout the financial year and may be updated and replaced as proposals are developed and expenditure incurred.