

Public Document Pack
CABINET
19/02/2018 at 6.00 pm



Present: Councillor Stretton (Chair)
Councillors Akhtar, Brownridge, Chadderton, F Hussain, Jabbar,
and Moores

1 **APOLOGIES FOR ABSENCE**

Apologies for absence were received from Councillor Harrison.

2 **URGENT BUSINESS**

There were no items of urgent business received.

3 **DECLARATIONS OF INTEREST**

There were no declarations of interest received.

4 **PUBLIC QUESTION TIME**

5 **MINUTES OF THE PERFORMANCE AND VALUE SELECT
COMMITTEE - ADMINISTRATION BUDGET HELD ON 25TH
JANUARY 2018**

RESOLVED – That the deliberations and comments of the
Performance and Value for Money Select Committee held on
the 25th January 2018 be noted.

6 **MINUTES OF THE PERFORMANCE AND VALUE SELECT
COMMITTEE - OPPOSITION BUDGET HELD ON 6TH
FEBRUARY 2018**

Members considered the minutes of the opposition budget
Performance and Value for Money Select Committee.
Whilst the proposals were not recommended as 2018/19 budget
amendments the Select Committee did recommend to Cabinet
in future years:

- a) To consider saving proposals to replace traditional street
lighting bulbs with LEDs following a review of feasibility
and costs and to implement an increase in bus lane
enforcement.
- b) Council Strategies put in place to achieve
transformational change should be directly linked to
budget proposals or income targets.

Members agreed to incorporate the proposals into the budget for
future years and this was detailed at Item 8 of the agenda.

RESOLVED – That:

The deliberations and comments of the Performance and Value
for Money Select Committee held on 6th February 2018 be
noted.

The incorporation of two proposals into the budget for future
years be agreed;

- c) To consider saving proposals to replace traditional street
lighting bulbs with LEDs following a review of feasibility
and costs and to implement an increase in bus lane
enforcement.

- d) Council Strategies put in place to achieve transformational change should be directly linked to budget proposals or income targets.

7

REVENUE MONITOR AND CAPITAL INVESTMENT PROGRAMME 2017/18- MONTH 8 - NOVEMBER 2017

The Cabinet gave consideration to a report of the Director of Finance which provided Members with an update on the Council's 2017/18 revenue budget position and the financial position of the capital programme as at 30 November 2017, together with the revised capital programme 2017/21.

Revenue Position

The current forecast outturn position for 2017/18 was a projected favourable variance of £0.150m after allowing for approved and pending transfers to and from reserves. Corporately, whilst there was a projected underspend at the end of the financial year, it was key to note the fluctuations contained within the net position. There were 2 portfolios: Health and Wellbeing and Economy, Skills and Neighbourhoods with adverse variances, the most significant being that of Children's Social Care within Health and Wellbeing, a demand led service that was under pressure to deliver within the current budget allocation.

There was a projected overspend of £3.468m within the Health and Wellbeing Portfolio attributable in main to Children's Social Care and a reported pressure of £0.553m within the Economy, Skills and Neighbourhoods Directorate.

The total forecast overspend within the Health and Wellbeing and Economy, Skills and Neighbourhoods portfolios was being offset by a projected underspend of £3.995m within Capital, Treasury and Corporate Accounting.

Capital Position

The most up to date capital spending proposals for 2017/21 were provided to Members. The revised Capital programme budget was £35.882m at the close of month 8, a net decrease of £5.118m from the revised budget at quarter 2 of £41.00m. Actual expenditure to 30 November 2017 was £12.739m (35.5% of forecast outturn).

It was reported that at this stage in the financial year, the forecast position would continue to change with additional re-profiling into future years.

Options/Alternatives considered

Option 1 – To approve the forecast revenue and capital positions presented in the report including proposed changes.

Option 2 – To approve some of the forecasts and changes detailed within the report.

Option 3 – Not to approve any of the forecasts and changes detailed within the report.

RESOLVED – That:

1. The forecast revenue outturn for 2017/18 at Month 8 being a £0.150m under spend be approved.
2. The forecast positions for both the Housing Revenue Account and Collection Fund as detailed within the report be approved.

3. The use of reserves as detailed in Appendix 1 to Annexe 1 of the report be approved.
4. The revised capital programme for 2017/21 as at 30 November 2017, Month 8 be approved.

REVENUE BUDGET 2018/19 AND MEDIUM TERM FINANCIAL STRATEGY 2018/19 TO 2021/22

Consideration was given to a report of the Director of Finance which presented to the Cabinet the current Administration's budget and budget proposals for 2018/19 together with the forecast budget gap estimates for the period 2019/20 to 2021/22, having regard to the Provisional Local Government Finance Settlement published on 19th December 2017 and subsequent Final Local Government Settlement published on 6th February 2018.

This report set out the proposals for the Council's Revenue Budget for 2018/19 and Medium Term Financial Strategy for 2018/19 to 2021/22.

Cabinet were provided with details of the key financial challenges and issues which would be faced by the Council over the forecast period.

The report included an update on the national and regional policy landscape within which the council operated including a summary of the economic outlook published alongside the most recent Autumn Statement, key aspects of the Local Government Finance regime including the Greater Manchester 100% business rates retention pilot scheme and the pooling of Business Rates for 2018/19.

Section 8 of the report provided details of the key budget adjustments and expenditure pressures underpinning the forecast.

Section 9 of the report included details of the Provisional Local Government Finance Settlement published on 19th December 2017.

The report also provided the latest available forecasts for Government Grant income and locally generated income from retained Business Rates and Council Tax.

Based on the latest estimates the budget reduction requirements for 2018/19 had reduced from the previously reported figure of £24.818m to £13.950m, the significant improvement was due to a range of favourable changes to the estimates, set out in detail at Section 12 to the report.

Section 13 of the report detailed the Administration's budget reduction proposals. There were a total of 35 proposals, delivering savings of £6.686m in 2018/19. If approved the proposals would further reduce the budget reduction requirement to £7.264m for 2018/19.

Section 14 of the report explained the approach to balancing the 2018/19 budget through the use of reserves. To protect services from deeper spending reductions it was proposed to finance the Early Help pressure of £0.689m from reserves and to utilise a further £2.658m of Business Rates resource carried over from 2017/18.

Section 18 of the report presented proposed Council Tax and Adult Social Care precept levels for Oldham Council comprising

a general increase of 1.99% and a 2% increase for Adult Social Care precept (3.99% in total).

The overall Council Tax level in Oldham incorporated the Council Tax charges by precepting Authorities. On the 26th January 2018 the GM Mayor proposed to the Greater Manchester Combined Authority a £12 increase to the Police element in line with Government limits and a £9 increase to the general precept. The proposals were subject to formal approval on 20th February 2018. Section 18 also provided detail of the Precepts for the Shaw and Crompton and Saddleworth Parishes.

Councillor Jabbar Cabinet Member for Finance and HR, moved an amendment to the report. Paragraph 8.7 at Section 8 to the report and paragraph 12.28 at Section 12 to the report to be amended to reflect the following: The £701k Adult Social Care Support Grant for 2018/19 would not be passported directly to Adult Social Care but would be held for general social care. This was agreed unanimously.

It was reported that approval of the proposals set out in the report in full by Council would deliver a balanced revenue budget for 2018/19. The budget reduction for subsequent years was forecast to be £17.986m 2019/20, £7.817m for 2020/21 and £7.470m for 2021/22.

The Fees and Charges proposals for 2018/19 were presented at Appendix and the Council's Pay Policy Statement was presented at Appendix 5.

Options/Alternatives considered

Option 1 – Cabinet accept the assumptions and resulting financial forecasts presented within the report and the budget position at Appendix 1.

Option 2 – Cabinet propose amendments to the assumptions which would change the resulting budget gap and financial forecasts.

Option 3 – Cabinet approves and commends to Council all the budget reduction proposals included in this report to the value of £6.686m for approval and the approach to the use of reserves and balances and as well as Council Tax and Adult Social Care Precept increases and Cabinet considers comments from the PVFM Select Committee of 6 February 2018.

Option 4 - Cabinet requests that further work is undertaken on some or all of the budget proposals and the approach to reserves and balances and that Cabinet considers a revised position.

RESOLVED – That:

1. That Cabinet approves and commends to Council:
 - a) The national and regional policy landscape determining the context in which the Council is setting its revenue budget for 2018/19 and Medium Term Financial Strategy to 2021/22;
 - b) The impact of Oldham Council Policies and Strategies on the Council's budget setting process and the development of its Medium Term Financial Strategy;

- c) The financial forecasts for 2018/19 to 2021/22 having regard to the Provisional and Final Local Government Finance Settlement and associated funding announcements;
 - d) The key issues to be addressed in continuing to respond to the financial challenges facing the Council;
 - e) The 2018/19 Budget Reduction Proposals at a value of £6.686m;
 - f) The proposed use of £7.264m of reserves to balance the 2018/19 budget;
 - g) Paragraph 8.7 at Section 8 to the report and paragraph 12.28 at Section 12 to the report be amended to reflect the following: The £701k Adult Social Care Support Grant for 2018/19 would not be passported directly to Adult Social Care but would be held for general social care.
 - h) The fees and charges schedule included at Appendix 4;
 - i) The pay policy statement included at Appendix 5;
 - j) A proposed Council Tax increase of 3.99% for Oldham Council services resulting in the charges set out at paragraph 18.3 and Table 22 of the report;
 - k) The proposal to draw on the Collection Fund for major preceptors of £100.494m for Borough Wide services and £86.953m for Council services;
 - l) The proposed budget for 2018/19 for the Council set at £216.921m; and
 - m) Revised budget reduction targets of £17.986m for 2019/20, £7.817m for 2020/21 and £7.470m for 2021/22.
2. The comments of the PVFM Select Committee from its meeting of 6 February 2018 as set out at paragraph 13.9;
- a) To consider saving proposals to replace traditional street lighting bulbs with LEDs following a review of feasibility and costs and to implement an increase in bus lane enforcement.
 - b) Council Strategies put in place to achieve transformational change should be directly linked to budget proposals or income targets; be incorporated into the budget for future years.

9

HOUSING REVENUE ACCOUNT ESTIMATES FOR 2018/19 TO 2021/22 AND PROPOSED OUTTURN 2017/18

The Cabinet gave consideration to a report of the Director of Finance which out the latest Housing Revenue Account (HRA) outturn estimate for 2017/18, the detailed budget for 2018/19 and strategic estimates for the three years 2019/20 through to 2021/22. The report also sets out the recommended dwelling and non-dwelling rents and service charge increases to be applied from April 2018.

It was reported that after taking all relevant issues into account, the projected financial position for 2017/18 was estimated to be a £1.785m positive variance when compared to the original budget forecast for 2017/18 approved by Council 1st March 2017. The majority of this variance was attributed to the re-

profiling of HRA funded capital schemes into later years due to revisions to planned spending profiles.

The financial position for 2018/19 showed an estimated HRA closing balance of £18.870m which was considered to be sufficient to meet future operational commitments and the potential financial pressures identified in the risk assessment. The 2018/19 position had been presented after allowing for an increase in rent of 4%.

Members noted the Government had already advised that Private Finance Initiative (PFI) properties would be exempt from Central Government's 1% Social Rent Reduction Programme. As all Oldham housing stock was contained within two PFI schemes, the 2018/19 budget would follow historic rent setting guidance of Consumer Price Index (CPI) plus 1%, resulting in an increase of 2% (CPI was taken as at September 2017).

The proposed HRA budget report was presented for consideration by the Overview and Scrutiny Performance and Value for Money Select Committee on 25 January 2018. The Select Committee was content to commend the report to Cabinet for approval.

Options/Alternatives considered

In order that the Council complied with legislative requirements it must consider and approve a Housing Revenue Account budget for 2018/19.

Within the summer budget announcement of July 2015, the Government imposed a 1% per annum social rent reduction for 4 years. All Oldham housing stock would be exempt from this decrease and an increase would be applied in accordance with current Government guidance.

Should the Council not wish to continue with the established practice of following Government guidelines, 2 potential scenarios had been assessed:

- proposed rent increase of 4% is changed to 2%
- proposed rent increase is removed altogether

The loss to the Housing Revenue Account in terms of income would be in 2018/19, a 2% increase £157,000 and 0% increase £315,000 and impact over the life of the business plan at 2% £3,954m and 0% £7,908m.

RESOLVED – That:

1. The forecast Housing Revenue Account outturn for 2017/18 as per Appendix A to the report be approved and commended to Council.
2. The proposed Housing Revenue Account budget for 2018/19 as per Appendix B to the report be approved and commended to Council.
3. The strategic estimates for 2019/20 to 2021/22 as per Appendix D to the report be approved and commended to Council.
4. The proposed increase to dwelling rents for all properties of 4% be approved and commended to Council.
5. The proposed increase to be as per individual contracts be approved and commended to Council.

6. The proposed increase to Private Finance Initiative 2 service charges to continue previously approved transitional arrangements but without an inflationary uplift be approved and commended to Council.
7. The proposed no inflationary increase to Private Finance Initiative 4 service charges be approved and commended to Council.

10

CAPITAL STRATEGY AND CAPITAL PROGRAMME 2018/19 TO 2021/22

The Cabinet gave consideration to a report of the Director of Finance which set out the proposed Capital Strategy and Programme for 2018/19 to 2021/22, utilising the essential elements of the 2017/21 and previous years' strategies and programmes and progressed those elements in the context of the financial and political environment for 2018/19.

In preparing the 2018/19-2021/22 Capital Strategy, account had been taken of local issues, the increase and change in the nature of central Government funding and the continued uncertainty regarding the level of funding in future years.

The principles of the Strategy had been prepared in light of all available information and listed areas of potential future investment, subject to the availability of resources.

In overall terms, the Capital Programme included proposed expenditure for 2018/19 of £89.658m, with the largest area of expenditure being on development and infrastructure projects within the Economy, Skills and Neighbourhood Directorate. Total expenditure increased to £105.681m in 2019/20, falling to £36.605m in 2020/21, and £11.234m in the final year of the current programme.

The main sources of funding were prudential borrowing and Government grants. The programme in 2018/19 relied on £40.664m of prudential borrowing. In addition there was £29.504m of Government grants and other contributions and £17.347m of capital receipts. The Housing Revenue Account contributed £2.143m towards housing projects. Future years were also predominantly reliant on prudential borrowing and Government grants.

It was, however, likely that the capital position would change prior to the start of 2018/19 and during the year:

- it was possible that there would be further Government funding allocations prior to the start of 2018/19.
- the outcome of specific grant bids would become known.
- it was likely that there would be additional initiatives announced.
- there may also be the opportunity to bid for additional funding e.g. transport initiatives.
- the Council may identify other funding sources, including capital receipts, to finance additional capital expenditure.

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

The proposed Capital Strategy and Capital Programme for 2018/19 to 2021/22 was presented for scrutiny to the Overview and Scrutiny Performance and Value for Money Select

Committee on 25 January 2018. The Select Committee was content to commend the report to Cabinet for approval. Options/Alternatives considered
Members could choose to accept the proposed Capital Strategy and Capital Programme or revise and suggest an alternative approach to capital investment.

RESOLVED – That:

1. The Capital Strategy for 2018/19 to 2021/22 detailed at Appendix 1 and summarised at section 2.1 of the report be approved and commended to Council.
2. The Capital Programme for 2018/19 and indicative programmes for 2019/20 to 2021/22 at Annex D of Appendix 1 and summarised at section 2.2 of the report be approved and commended to Council.

11

TREASURY MANAGEMENT STRATEGY 2018-19

Consideration was given to a report of the Director of Finance that outlined the strategy for 2018/19 Treasury Management activities including Prudential Indicators, the Annual Investment Strategy and the Minimum Revenue Provision Policy Statement. It was reported that the strategy for 2018/19 covered two main areas, capital issues and treasury management issues and the report therefore outlined the implications and key factors in relation to each of the two main areas and made recommendations with regard to the Treasury Management Strategy for 2018/19.

The Council was required to operate a balanced budget which broadly meant that cash raised during the year would meet cash expenditure and part of the treasury management operation was to ensure that cash flow was adequately planned with cash being available when needed.

The second main function of the treasury management service was the funding of the Council's capital plans, which provided a guide to the borrowing need of the Council, essentially the longer term cash flow planning to ensure that the Council could meet its capital spending obligations.

The Treasury Management Strategy 2018/19 was based on the current guidance at the time of writing. The Chartered Institute of Public Finance and Accountancy (CIPFA) released revised and updated versions of the Prudential Code and Treasury Management Code in early January 2018. The guidance notes had not yet produced which would provide clarity in interpreting the new requirements.

In February 2018, the Ministry of Housing, Communities and Local Government (MHCLG) released the consultation and Government responses to the proposed changes to the prudential framework and capital finance, in particular MRP and investment guidance. Further information would be provided in the non-statutory explanatory notes to clarify the MRP guidance. This report had been based on the current guidance /information available and it may be necessary to revise the Treasury Management Strategy at a later date.

The report was considered by the Performance and Value for Money Select Committee on the 25th January 2018 and was commended to Cabinet.

Options/Alternatives considered

The Council was required to comply with the Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Treasury Management the Council and has no option other than to consider and approve the contents of the report.

Therefore no options/alternatives were considered.

RESOLVED – That:

1. The Capital Expenditure Estimates as per paragraph 2.1.2 be approved and commended to Council.
2. The Capital Financing Requirement (CFR) projections as per paragraph 2.2.4 of the report be approved and commended to Council.
3. The Minimum Revenue Provision policy and method of calculation as per appendix 1 of the report be approved and commended to Council.
4. The projected treasury position as at 31/03/2018 as per paragraph 2.3.3 of the report be approved and commended to Council.
5. The Treasury Limits for 2018/19 to 2020/21 as detailed in section 2.4 of the report be approved and commended to Council.
6. The Borrowing Strategy for 2018/19 as per section 2.6 of the report be approved of the report be approved and commended to Council.
7. The Annual Investment Strategy as per section 2.10, the creditworthiness policy at section 2.11 of the report be approved and commended to Council.
8. The level of investment in non-specified investments as detailed at appendix 4 to the report be approved and commended to Council.

12

STATEMENT OF THE ROBUSTNESS OF ESTIMATES AND ADEQUACY OF THE RESERVES IN THE 2018-19 BUDGET SETTING PROCESS

The Cabinet considered a report of the Director of Finance (Chief Financial Officer) that was prepared in accordance with the requirement of Section 25 of the Local Government Act 2003 to report on the robustness of the estimates made for the purposes of the budget calculations and the adequacy of the proposed reserves.

The level of general balances to support the budget and an appropriate level of earmarked reserves maintained by the Council in accordance with the agreed Council policy on earmarked reserves was an integral part of its continued financial resilience supporting the stability of the Council. The report also included the Director of Finance's consideration of the affordability and prudence of capital investment proposals.

It was reported that Members could be assured that the Council continued to be well placed to meet the challenging financial future facing Local Authorities and that the Council was preparing a detailed revenue budget within a four year Medium

Term Financial Strategy (MTFS), a four year approved capital programme and an early closure of accounts. This would allow early focus on the coming challenges and a robust financial transformation programme.

The financial resilience depended in part on the Council maintaining an adequate level of reserves which were set out in the report. The Audit Committee at its meeting in July 2017 considered the policy on earmarked reserves and it was proposed to action the same review after the closure of accounts for 2017/18.

Options/Alternatives considered

The Cabinet could comment on the recommendations of the report however Members had a statutory duty to have regard to the Chief Financial Officer's report on the robustness of the estimates and the adequacy of the proposed financial reserves when making decisions.

The robustness of the estimates and reserves were satisfactory, however this was only the case provided the action necessary were taken to ensure the balances were set at the level recommended, that all budget options or in year alternatives were delivered as planned and monitored.

RESOLVED – That:

1. The General Balances currently calculated for 2018/19 at £13.991m be approved. Any Excess funding in general balances at the financial year end were to be transferred to the financial mitigations reserves to support future budgets.
2. The initial estimate of General Balances to support the 2019/20 and 2020/21 budgets were amounts of £13.832m and £13.123m reflecting the budgetary challenges for these financial years be noted.
3. Submission of the intended report to the Audit Committee to ensure the Council reserves were subject to appropriate scrutiny, be noted.
4. The actions necessary to secure a properly balanced budget as noted in paragraph 3.5 of the report be approved.
5. The actions necessary to ensure the prudence of the capital investments as noted in paragraph 4.4 of the report be approved.
6. The report be commended to Council for approval.

The meeting started at 6.00pm and finished at 6.18pm.