**OVERVIEW AND SCRUTINY PERFORMANCE AND VALUE FOR MONEY SELECT COMMITTEE**
**23/01/2020 at 6.00 pm**

**Present:** Councillor Ahmad (Chair)
Councillors Phythian, Stretton, Williamson and Hulme

Also in Attendance:

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| Abdul Jabbar MBE | Deputy Leader & Cabinet Member for Finance and Corporate Services |
| Anne Ryans | Director of Finance |
| Mark Stenson | Head of Corporate Governance |
| Emma Barton | Director of Economy |
| Mark Warren | Managing Director, Community Health & Adult Social Care |
| Sian Walter-Browne | Principal Constitutional Services Officer |
| Peter Wood | Head of Strategic Assets & Facilities Management |
| Helen Lockwood | Deputy Chief Executive |
| Samantha Smith | Senior Finance Manager |
| Sheena MacFarlane | Head of Heritage, Libraries& Arts |
| Bryn Cooke | Head of Strategic Housing and Property Partnerships |
| Glenn Dale | Head of Environmental Services |

1 **APOLOGIES FOR ABSENCE**

Apologies for absence were received from Councillor Haque.

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**

There were no public questions received.

5 **REVENUE MONITORING AND CAPITAL INVESTMENT PROGRAMME 2019/20 MONTH 8 - NOVEMBER 2019**

The Select Committee gave consideration to a report of the Director of Finance which provided them with an update on the Council’s 2019/20 forecast revenue budget position and the financial position of the capital programme as at 30 November 2019 (Month 8), together with the revised capital programme 2019/24.

The Cabinet Member for Finance and Corporate Services and the Director of Finance presented the report and addressed the enquiries of the Select Committee.

In relation to the Revenue position, the Select Committee were informed that the current forecast outturn position for 2019/20 was a projected adverse variance of £1.367m after allowing for approved and pending transfers to and from reserves.

The most significant areas of concern were the People and Place, Children's Services and Community Services and Adult Social Care portfolios. Action was being taken and would continue for the remainder of the financial year to address variances and take mitigating action as detailed in the report.

The Select Committee noted the overall corporate position was, to a limited extent, being managed by offsetting favourable variances, most noticeably from Capital, Treasury and Corporate Accounting budgets. Management action had been initiated across all service areas to review and challenge planned expenditure and to maximise income. Progress was being made and this was demonstrated in the position being reported at month 8. Further work needed to be done, if as anticipated, the outturn was to move to a balanced position by the end of the financial year.

Information on the Month 8 position of the Dedicated Schools Grant (DSG), Housing Revenue Account (HRA) and Collection Fund was also outlined in the report. There were no significant issues of concern in relation to the HRA and Collection Fund, however the Collection Fund, whilst forecasting an in-year deficit of £0.127m, remained in a cumulative surplus position. The DSG, continued to be an area which was facing a financial challenge, with a projected deficit increase in 2019/20. Action was being taken with the aim of reducing the cumulative deficit and bringing the DSG towards a balanced position. A further update was provided on the funding that was announced earlier in the financial year.

With regard to the Capital position, the revised capital programme forecast spend for 2019/20 was £63.945m at the close of month 8, a net decrease of £20.387m from the original budget of £84.332m. Actual expenditure to 30 November 2019 was £33.013m (51.63% of the forecast outturn). The report also updated the forecast Capital Programme over the period 2019/20 to 2023/24.

Members noted it was probable that the forecast position would continue to change before the year end with additional re-profiling into future years.

Members sought and received clarification on how urgently overspending budgets were being addressed – they were informed that the persistent overspend was in areas of growth such as care for adults and children. Overspending was taken seriously and management action was expected from those service areas.

Members were advised that the Council had had to make significant budget reductions and its workforce reduced by one third in the last ten years, and it was still delivering essentially the same services. There was oversight of all areas and confidence that a balanced outturn would be delivered.

The Select Committee **RESOLVED to accept the report and commend to Cabinet** the:

1. Forecast revenue outturn for 2019/20 at month 8 being a £1.367m overspend
2. Forecast positions for both the HRA and Collection Fund
3. Use of reserves as detailed in Appendix 1 to Annex 1
4. Revised capital programme for 2019/2024 as at month 8.

6 **REVENUE BUDGET 2020/21 AND MEDIUM TERM FINANCIAL STRATEGY 2020/21 TO 2024/25**

Consideration was given to a report of the Director of Finance which provided the Select Committee with the forecast budget reduction requirement and the Administration's budget proposals for 2020/21 together with forecast budget reduction requirement estimates for the period 2021/22 to 2024/25, having regard to the Provisional Local Government Finance Settlement published on 20 December 2019.

The Deputy Leader and Cabinet Member for Finance and Corporate Services, the Director of Finance, the Director of Economy and the Managing Director Community Health and Adults Social Care (DASS) presented the report and addressed the enquiries of the Select Committee.

This report set out proposals for the Council's Revenue Budget for 2020/21 and Medium Term Financial Strategy for 2020/21 to 2024/25. It advised Members of the key financial challenges and issues which would be faced by the Council over the forecast period and set out the Administration's revenue budget proposals for 2020/21 together with updated budget reduction requirement estimates for the period 2021/22 to 2024/25.

Members noted the purpose and scope of the Medium Term Financial Strategy and how it had a vital role to play in enabling the translation of the Council's ambition and priorities into action. They were advised of the national policy landscape and economic context in which the Council was setting its revenue budget for 2020/21 and Medium Term Financial Strategy to 2024/25.

The report highlighted policy announcements and implications which arose from the Government's 2019 Spending Round presented on 4 September 2019, the Local Government Finance Settlement 2020/21 Technical Consultation and the Provisional Local Government Finance Settlement (LGFS) published on 20 December 2019.The report also detailed key budget adjustments and expenditure pressures which underpinned the forecasts that provided the backdrop for the Council's Medium-Term Financial Strategy.

The Select Committee was informed that, based on the latest estimates, the budget reduction requirement for 2020/21 had decreased from the previously reported figure of £22.871m to £19.740m. Section 10 of the report detailed the Administration's budget reduction proposals. There were a total of seven proposals expected to deliver savings of £3.011m in 2020/21. If approved in full, these proposals further reduced the budget reduction requirement to £16.729m for 2020/21.

Sections 11 and 12 explained the approach to balancing the 2020/21 budget. In order to remove the requirement for further spending reductions, it was proposed to part-finance the 2020/21 budget by using the opportunities provided by the ability to use Capital Receipts to support spending on transformational projects up to a value of £3.750m and from an available Collection Fund Surplus of £1.400m. The following specific and corporate reserves would be used to address the balance:

- £1.413m from gains anticipated in 2019/20 from the Greater Manchester 100% Business Rates Retention Pilot Scheme;
- £1.300m of further benefit made available by the GMCA from the Greater Manchester 100% Business Rates Retention Pilot Scheme in 2019/20;
- £3.113m from reserves relating to a refund of the 2019/20 Waste Levy; and
- £5.753m from Corporate Reserves.

Approval of the proposals set out in the report in full by Budget Council would deliver a balanced revenue budget for 2020/21. The budget reduction requirement for subsequent years was forecast to be £23.366m for 2021/22, £13.103m for 2022/23, £13.656m for 2023/24 and £13.011m for 2024/25.

Members sought and received clarification on the following:

- How much would the proposed reduction to the Council Tax increase add to the savings requirement - £937,000
- By how much would Council Tax need to be raised to fill the deficit – it would need to be raised by 7% which could not be done without a referendum. The issue was caused by lack of government funding and as 42% of the revenue budget was spent on adult and children’s social care. It would be an aim of the Council to seek to reduce Council Tax if possible.
- GM Mayor’s precept – the mayor’s timeline for budget setting is different from that of the Councils. It was understood that the Police Grant Funding Settlement had still not been received and the Mayor was unable to set a budget without this. The indicative precept would be known by the Budget Cabinet meeting on 10th February.
- Savings from the biggest-spending departments – the Managing Director Community Health and Adults Social Care (DASS) explained austerity had increased demand and the services were looking to find ways to be more effective and efficient. Demand had increased in both numbers and complexity. The cost of care packages had increased, along with the amount of time needed to assess a person. The approach would now be to focus care intensively when the person first presented and work on a therapeutic approach to improve the situation. Loneliness was a big issue and the starting point now

would be connecting people to local social resources rather than sending them to a day centre.
- Resources for those whose conditions deteriorate eg dementia – demand profiling showed a different approach was needed and this approach would need to be flexible to meet changing needs as the condition progressed. The key was working to support the person and their family from the outset and to establish their wishes and choices while they could still make decisions. It was also essential to support Oldham's 25,000 carers. Advances in technology meant people could now safely stay in their own homes and residential care would be a last option.

The Select Committee examined each of the budget reduction proposals as follows:

**CSA-BR1-307 Direct Payment Review**
A proposal to review the approach to the administration, management and audit of Direct Payments (DP's) for those people who had eligible adult social care needs.

The Cabinet Member for Finance and Corporate Services and the Managing Director, Community Health and Social Care Services (DASS) were in attendance to address the enquiries of the Select Committee.

Members asked for and received further information in relation to whether the system for funding care needs was broken. They were informed that current charging arrangements were unfair and discriminatory, and the Council could only make the best of what was there. Over 1,000 people had direct payments and there was a cost to providing these. This proposal would reduce that cost by £150,000.

**PPL-BR1-306 Property Savings and Accommodation Review**
A proposed fundamental review of the Council's approach to both its property assets and the management of those assets.

The Cabinet Member for Finance and Corporate Services, and the Director of Economy were in attendance to address the enquiries of the Select Committee.

Members asked for and received further information in relation to:
- The likelihood of the savings being achieved – this was short-term work to achieve greater savings in 3-5 years. The Council was looking at very different ways of using its assets as part of the Creating Better Place project.
- Capacity – staff capacity would be used in a different way and the ideas for this were coming from the staff themselves.

**COM-BR1-301 Financial Services Redesign**

A proposal to realign the structure (of the Accountancy Function) to reflect the revised directorate structure and operational management arrangements of the Council. This realignment would reflect efficiencies in operational practice and deliver continuous improvement.

The Cabinet Member for Finance and Corporate Services, and the Director of Finance were in attendance to address the enquiries of the Select Committee.

Members asked for and received further information in relation to whether this was the right time to reduce capacity and were informed that the posts to be deleted had been vacant for some time and were not needed. The team may need to work differently and the saving was achievable.

**COM-BR1-302 Insurance Review**
A proposal to reduce the insurance budget by an additional £0.300m from 2020/21. This could be achieved through a reduction in claims paid using embedded and robust fraud / defence strategies, alongside the benefits from reduced external premia.

The Cabinet Member for Finance and Corporate Services, and the Director of Finance were in attendance to address the enquiries of the Select Committee.

**COM-BR1-303 Treasury Management**
Following a full review of Treasury Management income and expenditure budgets, it was anticipated that previously unbudgeted income of at least £1.000m could be generated in 2020/21.

The Cabinet Member for Finance and Corporate Services, and the Director of Finance were in attendance to address the enquiries of the Select Committee.

**COM-BR1-304 Housing Benefit - Reduction in provision for loss of subsidy**
A proposal to amend the budgetary provision for the loss of Housing Benefit subsidy associated with the occurrence of overpayments, as the roll out of Universal Credit led to fewer claimants receiving Housing Benefit and fewer incidents and lower value of Housing Benefit overpayments.

The Cabinet Member for Finance and Corporate Services, and the Director of Finance were in attendance to address the enquiries of the Select Committee.

**COM-BR1-305 Pension Prepayment**
A proposal to take advantage of potential arrangements to make lump sum payments into the Greater Manchester Pension Fund (GMPF) which should enable the Pension Authority to offer a discount against Employer Superannuation rates.

The Cabinet Member for Finance and Corporate Services, and the Director of Finance were in attendance to address the enquiries of the Select Committee.

**Fees and Charges**
The Select Committee gave consideration to the proposed fees and charges set out in the report.

The Cabinet Member for Finance and Corporate Services, the Deputy Chief Executive, Director of Finance, the Head of Strategic Assets & Facilities Management, the Head of Heritage, Libraries & Arts, the Head of Environmental Services and the Senior Finance Manager were in attendance to address the enquiries of the Select Committee.

Members asked for and received further information in relation to:

- School meals price increase – the service was currently running at a loss and the proposed increase would being Oldham's charges broadly in line with other GM councils.
- Would the increase in price reduce take-up – this was acknowledged as a risk,however take-up had been very constant for the last few years. The charge had to be increased as the Council could not keep absorbing the cost of running at a loss.
- Dovestones car park – charges had been increased as the previous charge was very low and the Council was responsible for maintaining the car park and toilets.
- Removal of library fines – membership had increased though it was too early to fully assess the impact. The services would be undertaking a full review and report back into a future meeting.
- Comparison of cemetery charges with the rest of GM – Oldham's fees were approximately mid-way.

The Director of Finance confirmed that these proposals constituted a valid budget that could be delivered.

**RESOLVED that the Select Committee accepted and commended to Cabinet:**

1. The policy landscape and economic context in which the Council was setting its revenue budget for 2020/21 and Medium Term Financial Strategy to 2024/25;
2. The impact of Oldham Council Policies and Strategies on the Council's budget setting process and the development of its Medium Term Financial Strategy;
3. The financial forecasts for 2020/21 to 2024/25 having regard to the Provisional Local Government Finance Settlement and associated funding announcements;
4. The key issues to be addressed in continuing to respond to the financial challenges facing the Council;
5. The 2020/21 Budget Reduction Proposals at a value of £3.011m;

6. The proposed use of £5.826m of reserves for specific purposes and £5.753m of corporate reserves to balance the 2020/21 budget;
7. The fees and charges schedule included at Appendix 7;
8. The pay policy statement included at Appendix 10;
9. A proposed Council Tax increase of 2.99% for Oldham Council services resulting in the charges set out at paragraph 15.3 and Table 29 of the report;
10. The proposal to draw on the Collection Fund for major preceptors of £112.338m for Borough Wide services and £96.466m for Council services;
11. The proposed budget for 2020/21 for the Council set at £234.907m; and
12. Revised estimated budget reduction targets of £23.366m for 2021/22, £13.103m for 2022/23, £13.656m for 2023/24 and £13.011m for 2024/25.

7 **HOUSING REVENUE ACCOUNT ESTIMATES FOR 2020/21 TO 2024/25 AND PROPOSED OUTTURN FOR 2019/20**

Consideration was given to a report of the Director of Finance which set out the latest Housing Revenue Account (HRA) outturn estimate for 2019/20, the detailed budget for 2020/21 and strategic estimates for the four years 2021/22 through to 2024/25. The report also set out the recommended dwelling, non-dwelling rents and service and concierge charges to be applied from April 2020.

The Cabinet Member for Finance and Corporate Services, the Director of Finance and the Head of Strategic Housing and Property Partnerships presented the report.

The Select Committee noted that HRA activities were a key element of the Council's Housing Strategy (approved by Council on 10 July 2019) which aimed to provide a diverse Oldham Housing offer that was attractive and met the needs of different sections of the population at different stages of their lives.

After taking all relevant issues into account, the projected financial position for 2019/20 was estimated to be a £2.273m positive variance when compared to the original budget forecast for 2019/20 approved at the Budget Council meeting, 27 February 2019. Most of this variance was attributable to the re-profiling of HRA funded capital schemes into later years due to revisions to planned spending profiles. The balance at the end of 2019/20 was projected at £21.750m.

The financial position for 2020/21 showed an estimated HRA closing balance of £18.230m which was sufficient to meet future operational commitments and the potential financial pressures identified in the risk assessment.

The 2020/21 position had been presented after allowing for an increase in dwelling rents of 2.7%, the increase in non-dwelling rents in line with individual contracts, the freezing of all service charges and the setting of Extra Care Housing and Holly Bank concierge charges to fully recover costs.

Members were reminded that the Government had previously advised that PFI properties were exempt from Central Government's 1% Social Rent Reduction policy. This policy was due to end on 31 March 2020. In preparation, Central Government had recently issued updated guidance for the period 2020-2025 for all properties, confirming a return to rents being set based on the Consumer Price Index (CPI) rate at September of the preceding year plus 1%. All Oldham's budget projections for the 2020/21 budget would follow the rent setting guidance of CPI plus 1%, resulting in an increase of 2.7% (CPI is taken as at September 2019).

The financial projections for the HRA over the period 2019/20 to 2024/25 showed an overall reduction in the level of balances from £21.750m at the end of 2019/20 to £7.713m at the end of 2024/25. This was because HRA resources were to be used to support several major approved housing capital projects including development at Princes Gate Site C, developing temporary accommodation to meet homelessness demands, developing purchase and repair / lease and repair pilot schemes in the private rented sector and financing the purchase of additional housing to add to the Council's HRA stock.

Members sought and received clarification on the following:

- Capacity and expertise to build new homes – this would be part of the Creating a Better Place project. Resources would be focussed on the priorities set by the Cabinet and there would be an awareness of what was required, which would feed into a capacity-building exercise.
- Effect of right to buy – some projects would be exempt from these provisions. With others, the risk had already been identified and would be factored in over the long-term.

**RESOLVED that the following be accepted:**

1. Forecast HRA outturn for 2019/20 (as per Appendix A)
2. Proposed HRA budget for 2020/21 (as per Appendix B)
3. Strategic estimates for 2020/21 to 2024/25 (as per Appendix D)
4. Proposed increase to dwelling rents for all properties of 2.7%.
5. Proposed increase to non-dwelling rents as per individual contracts.
6. Proposal that service charges are unchanged.
7. Proposal to set Extra Care Housing and Holly Bank concierge charges to fully
8. recover actual costs; and
9. The report be commended to Cabinet.

8 **CAPITAL STRATEGY AND CAPITAL PROGRAMME 2020/21 TO 2024/25**

Consideration was given to a report of the Director of Finance which set out the Capital Strategy for 2020/21 to 2024/25 and thereby the proposed 2020/21 capital programme, including identified capital investment priorities, together with the indicative capital programme for 2021/22 to 2024/25, having regard to the resources available over the life of the programme.

The Cabinet Member for Finance and Corporate Services, the Deputy Chief Executive and the Director of Finance presented the report.

The Council's Capital Strategy and Capital Programme were set over a five-year timeframe. The proposed Capital Strategy and Programme for 2020/21 to 2024/25 took the essential elements of the 2019/24 and previous years' strategies and programmes and moved them forward in the context of the financial and political environment for 2020/21.

The Strategy also included a longer-term vision, a forward look at those projects that were likely to run beyond the five-year strategy and programme period or be initiated subsequently. This covered a timeframe for the 10 years from 2025/26 to 2034/35.

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

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

The Capital Strategy ensured that all Council Members were presented with the overall long-term capital investment policy objectives and resulting Capital Strategy requirements, governance procedures and risk appetite. The Strategy incorporated the refreshed and updated elements of the Medium-Term Property Strategy, the Creating a Better Place Strategy, Commercial Property Investment Strategy and Fund, Housing Strategy and Income Generation Strategy. The Strategy also advised that the Council was proposing to continue the use of 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 2020/21 revenue budget would rely on up to £3.750m of such funding from capital receipts.

Members were informed that the projected outturn spending position for 2019/20 was £63.945m. The People and Place Directorate, which managed all of the major regeneration projects, constituted the main area of expenditure (£33.406m). Ringfenced and Un-ringfenced grants (£29.888m) followed by Prudential Borrowing provided the main source of financing (£18.967m). Actual expenditure to 30 November 2019 was £33.031m (51.63% of forecast outturn). This spending profile was in line with previous years, the position would be kept under review and budgets would continue to be managed in accordance with forecasts.

The Council had set out its Capital Programme for the period 2020/21 to 2024/25 based on the principles of the Capital Strategy. The Capital Programme and Capital Strategy had been influenced by the level of resources considered available at the time of preparation. If additional resources became available, projects that met the Council's strategic capital objectives would be brought forward for approval.

The Capital Strategy 2020/21 to 2024/25 had seen a significant increase in the level of investment compared to that previously projected. This was due to the incorporation of the spending plans associated with the recently approved Creating a Better Place strategy which encompassed housing initiatives together with town centre and borough wide regeneration. It also includes the findings of the independent review of the Medium-Term Property Strategy.

The Capital Strategy reflected the refreshed Commercial Property Investment Strategy and the Income Generation Strategy as well as the approved Housing Strategy.

Members were informed that, as at the month 8 capital monitoring position, the anticipated expenditure over the five year life of the 2019/20 to 2023/24 strategy was £272.939m, taking 2019/20 aside (£63.945m) leaves £208.994m for the remainder of the approved 2020/21-2023/24 Capital Programme. Following the approval of the new and refreshed strategies including Creating a Better Place, and moving forward the planning period by one year, the Capital Strategy for 2020/21 to 2024/25 totalled £478.725m. A significant increase in investment to deliver change for Oldham was therefore evident.

A review of the Capital Programme had highlighted that there was already a full range of commitments for the period 2020/21 to 2024/25 but additional funding allocations totalling £269.730m had been added to support the ambitious regeneration programme.

The Capital Programme included proposed expenditure for 2020/21 of £146.776m, with the largest area of expenditure being on regeneration, transport and infrastructure projects within the People and Place Directorate. Total expenditure decreased to £131.467m in 2021/22, then to £102.510m and £40.999m in 2022/23 and 2023/24 respectively, and in the final year of the current programme 2024/25 spend increased to an estimated £56.973m.

The Government was continuing to provide significant levels of grant funding, after an initial reduction at the start of the austerity period. The main source of grant income remained education-related with Basic Need Capital grant funding allocations totalling £25.535m over the life of the programme. The 2020/21 capital programme relied on £22.031m of unringfenced and £10.826m of ringfenced grants.

As in previous years, a major source of financing remained prudential borrowing. The amount required in 2020/21 (£99.070m) included borrowing attributed to schemes that had slipped from prior years and the new borrowing associated with the regeneration programme. It was expected that £30m of this prudential borrowing would be financed by income provided from property acquisition and investment. In addition, the timing of the borrowing was linked to the cash position of the Council and may therefore not mirror the spending/financing profile as set out.

The Select Committee noted there would be a continued review of capital spending requirements as the Council had further regeneration ambitions but affordability and deliverability would be key considerations in this regard. It was possible that the capital position may change prior to the start of 2020/21 and during the year. 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.

Members asked for and received clarification on the following:

- Capacity to undertake huge projects – the Director of Economy had previously addressed this issue and the resource need will have been identified by the time projects were moving forward for approval.
- Market research around town centre housing – in recent years people had considered the positive aspects to town centre living. The projects were about delivering homes and would be evidence-based and based on engagement. There would be full consultation with residents and Councillors, and the detailed plans would be co-produced with the community and business sectors.
- District centres – the strategy was about the whole borough and homes across the borough. An element of this was the town centre and there were other district developments such as the 157 homes in Hollinwood. The strategy was also wide-reaching and included a lot more as well as homes.

**RESOLVED that the following be accepted and recommended to Cabinet:**

1. The Capital Strategy for 2020/21 to 2024/25 at Appendix 1 of the report and summarised at section 2.1.
2. The Capital Programme for 2020/21 and indicative programmes for 2021/22 to 2024/25 at Annex C of Appendix 1 and summarised at sections 2.2 to 2.6 of the report.
3. The Flexible Use of Capital Receipts Strategy as presented at Annex D of Appendix 1.

9 **TREASURY MANAGEMENT STRATEGY STATEMENT 2020/21**

The Select Committee gave consideration to a report of the Director of Finance which presented the strategy for 2020/21

Treasury Management activities including the Minimum Revenue Provision Policy Statement, the Annual Investment Strategy and Prudential Indicators together with linkages to the Capital Strategy.

The Cabinet Member for Finance and Corporate Services, and the Director of Finance presented the report.

Members were informed that the Council was required through regulations supporting the Local Government Act 2003 to 'have regard to' the Prudential Code and to set Prudential Indicators for the next three years to ensure that the Council's capital investment plans were affordable, prudent and sustainable. It was also required to produce an annual Treasury Strategy for borrowing and to prepare an Annual Investment Strategy setting out the Council's policies for managing its investments and for giving priority to security and liquidity of those investments.

The Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Treasury Management 2017 (the Code) required the receipt by full Council of a Treasury Management Strategy Statement.

The Strategy for 2020/21 covered two main areas.

Capital Issues

- The Capital expenditure plans and the associated Prudential Indicators
- The Minimum Revenue Provision (MRP) Policy Statement

Treasury Management Issues:

- The Current Treasury Position
- Treasury Indicators which limited the treasury risk and activities of the Council
- Prospects for Interest Rates
- The Borrowing Strategy
- The Policy on Borrowing in Advance of Need
- Debt Rescheduling
- The Investment Strategy
- The Creditworthiness Policy
- The Policy regarding the use of external service providers.

The report outlined the implications and key factors in relation to each of the above Capital and Treasury Management issues and made recommendations with regard to the Treasury Management Strategy for 2020/21.

The proposed Treasury Management Strategy was presented for scrutiny to the Overview and Scrutiny Performance and Value for Money Select Committee so that any comments could be incorporated into the report before it was considered by Cabinet.

Members sought and received clarification on the following:

- Page 393 of the report, Table 1 – this showed unallocated funds that could be used for new projects and could provide a Capital Programme contingency. The amount increased in proportion to the programme.
- Page 394 of the report, Table 2, HRA figures – these aligned with those in the HRA report. The figure for 2020/2021 had been increased by the re-profiling from 2019/2020.
- Ethical investment – the Council has an ethical investment policy and the fourth principle of investment was an ethical approach. It was difficult to always ensure and tools were being developed to track investments so that there could be more informed decision making. The Council was risk-averse and would always make sure investment decisions followed appropriate procedures to ensure the security of the investment.

**RESOLVED that the following be accepted and recommended to Cabinet:**

1. Capital Expenditure Estimates as per paragraph 2.1.2;
2. MRP policy and method of calculation as per Appendix 1;
3. Capital Financing Requirement (CFR) Projections as per paragraph 2.2.4;
4. Projected treasury position as at 31 March 2020 as per paragraph 2.3.4;
5. Treasury Limits as per section 2.4;
6. Borrowing Strategy for 2020/21 as per section 2.6;
7. Annual Investment Strategy as per section 2.10 including risk management and the creditworthiness policy at section 2.11; and
8. Level of investment in specified and non-specified investments detailed at Appendix 5.

10 **COUNCIL TAX REDUCTION SCHEME 2020/21**

Consideration was given to a report of the Director of Finance which set out the proposed Council Tax Reduction Scheme for 2020/21.

The Cabinet Member for Finance and Corporate Services , and the Director of Finance presented the report.

Members were informed that there was a requirement to have a Council Tax Reduction (CTR) scheme to support residents who qualified for assistance in paying Council Tax. The Local Government Finance Act 2012 placed a requirement that each year a billing authority must consider whether to revise its Council Tax Reduction scheme or to replace it with another scheme. Any change to the 2020/21 scheme must be agreed by full Council in line with budget setting and no later than 10 March 2020. For Oldham, this required the Council to agree a revised 2020/21 scheme at the 26 February 2020 Council meeting. Any proposed change must be subject to prior consultation with the major preceptors and the public.

The Council's current CTR scheme limited CTR to a maximum of 85% of Council Tax for a Band A property and removed second adult rebate for those of working age. Following a public consultation exercise in Autumn 2018, the scheme was amended from April 2019 to introduce a range of changes to the scheme largely aimed at supporting those CTR claimants who received Universal Credit (UC). These included the application of some earnings disregards and treatment of information received from the Department for Work and Pensions (DWP) about UC as a claim for CTR.

As more working age Housing Benefit (HB) cases moved to UC, Local Authority CTR schemes were in transition, as the number of cases aligned to the HB model of assessment reduced and the number of UC cases aligned to the UC structure increased. It was therefore considered pragmatic to wait until more cases had migrated to UC to introduce a fully revised CTR scheme which would appropriately link with the design of UC. This would avoid the administrative complexity of running two distinct working age CTR schemes concurrently and would mean that the CTR scheme would remain unchanged in 2020/21.

**RESOLVED** that the Council Tax Reduction scheme be unchanged in 2020/21 and the report be commended to Council

11 **STATEMENT OF THE CHIEF FINANCIAL OFFICER ON RESERVES, ROBUSTNESS OF ESTIMATES AND AFFORDABILITY AND PRUDENCE OF CAPITAL INVESTMENTS**

Consideration was given to a report of the Director of Finance which recommended that the Select Committee considered the level of balances necessary to support the 2020/21 budget underpinned by the agreed policy on Earmarked Reserves, setting a properly balanced revenue budget which included the financing of capital investments within the present investment proposals.

The Cabinet Member for Finance and Corporate Services, and the Director of Finance presented the report.

Members were informed that, in order to comply with Section 25 of the Local Government Act 2003; the Authority’s Chief Financial Officer (the Director of Finance) was required to report on the robustness of the estimates made for the purposes of the revenue budget calculations and the adequacy of the proposed reserves. This information enabled a longer-term view of the overall financial resilience of the Council to be taken. It also reported on the Director of Finance’s consideration of the affordability and prudence of capital investment proposals. 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, were an integral part of its continued financial resilience supporting the stability of the Council.

Whilst the Council had prepared a detailed revenue budget within a five year Medium Term Financial Strategy (MTFS), a five year capital programme and continued the closure of accounts within an appropriate timeframe allowing early focus on the upcoming challenges and a robust financial transformation programme, there continued to be a reliance on the use of reserves to balance the revenue budget.

Since 2016/17, reserves of £22.937m had been used to underpin the Council's revenue budget. For 2020/21, there was a proposed use of reserves of £11.579m combined with a number of one-off measures totalling £5.150m. The continued use of reserves and one-off measures had the impact of deferring the changes that were required to balance the revenue budget by on-going sustainable means. The implementation of the next phase of the transformation programme in 2020/21 was expected to begin to address this challenge. The expected benefits of the transformation programme would be phased over several financial years and it was anticipated that there would continue to be a need to utilise reserves until the programme was complete.

As detailed within the Council's Audit Completion Report, presented alongside the Statement of Accounts, the External Auditors concluded that for 2018/19 the Council had made proper arrangements to deliver financial sustainability in the medium term. However, it was also pointed out that "the use of reserves to support revenue budgets in the longer term is not sustainable, and the Council will need to ensure that its longer term financial sustainability does not deplete its reserves to unsustainably low levels".

Members noted that financial resilience depended in part on the Council maintaining an adequate level of reserves. In order to scrutinise the level of reserves held by the Council, the policy on earmarked reserves was considered by the Audit Committee in June 2019 and it was proposed to action the same review again in 2020/21 after the closure of the accounts for 2019/20.

Whilst the Council was utilising a number of reserves to support the 2020/21 revenue budget, Members were assured that the Council currently remained financially resilient and was working hard to address the pressures that had arisen over a number of years and therefore still continued to be well placed to meet the difficult financial challenges that it faced.

Members asked for and received clarification on the following:

- The replenishment of reserves – up to now, reserves that had been used had been replenished. Efforts would be made to replenish reserves during the closure of the 2019/20 accounts.
- In relation to paragraph 2.6, were reserves at £70m now – they would be at £70m by the end of the year. Some had been used and had been replenished. There was funding from the GMCA in relation to benefits from the 100% business rates retention pilot scheme and there may be more money receive in grants from the

government at the end of the financial year. This would be used to support reserves.

**RESOLVED that the following be accepted and commended to Cabinet:**

1. The proposed General Fund Balance currently calculated for 2020/21 at £14.991m.
2. The initial estimate of General Fund Balances to support the Medium Term Financial Strategy is as follows:
   - £15.187m for 2021/22 and
   - £15.241m for the years 2022/23, 2023/24 and 2024/25.
3. The intended report to be presented to the Audit Committee on Earmarked Reserves to ensure this area is subject to appropriate scrutiny.
4. The actions necessary to secure a properly balanced budget as presented in paragraph 3.6.
5. The actions necessary to ensure the prudence of the capital investments as noted in Section 4.

The Select Committee asked that their thanks be recorded to the Director of Finance and all her team for all of their hard work and achievements in the last year.

The meeting started at 6.00 pm and ended at 7.58 pm