

## ***CABINET Agenda***

Date Monday 14 November 2022

Time 6.00 pm

Venue Crompton Suite, Civic Centre, Oldham, West Street, Oldham, OL1 1NL

- Notes
1. DECLARATIONS OF INTEREST- If a Member requires any advice on any item involving a possible declaration of interest which could affect his/her ability to speak and/or vote he/she is advised to contact Paul Entwistle or Liz Drogan in advance of the meeting.
  2. CONTACT OFFICER for this Agenda is Liz Drogan Tel. 0161 770 5151 or email [elizabeth.drogan@oldham.gov.uk](mailto:elizabeth.drogan@oldham.gov.uk)
  3. PUBLIC QUESTIONS – Any member of the public wishing to ask a question at the above meeting can do so only if a written copy of the question is submitted to the Contact officer by 12 Noon on Wednesday, 9 November 2022.
  4. FILMING – This meeting will be recorded for live and/or subsequent broadcast on the Council's website. The whole of the meeting will be recorded, except where there are confidential or exempt items and the footage will be on our website. This activity promotes democratic engagement in accordance with section 100A(9) of the Local Government Act 1972. The cameras will focus on the proceedings of the meeting. As far as possible, this will avoid areas specifically designated for members of the public who prefer not to be filmed. Disruptive and anti social behaviour will always be filmed.

Any member of the public who attends a meeting and objects to being filmed for the Council's broadcast should advise the Constitutional Services Officer who will instruct that they are not included in the filming.

Members of the public and the press may also record / film / photograph or broadcast this meeting when the public and the press are not lawfully excluded. Please note that anyone using recording equipment both audio and visual will not be permitted to leave the equipment in the room where a private meeting is held.

Recording and reporting the Council's meetings is subject to the law including the law of defamation, the Human Rights Act, the Data Protection Act and the law on public order offences.

Please also note the Public attendance Protocol on the Council's Website

[https://www.oldham.gov.uk/homepage/1449/attending\\_council\\_meetings](https://www.oldham.gov.uk/homepage/1449/attending_council_meetings)

MEMBERSHIP OF THE CABINET IS AS FOLLOWS:

Councillors Akhtar, Ali, Brownridge, Chadderton, Jabbar, Moores, Mushtaq and Taylor

Item No

- 1 Apologies For Absence
- 2 Urgent Business  
Urgent business, if any, introduced by the Chair
- 3 Declarations of Interest  
To Receive Declarations of Interest in any Contract or matter to be discussed at the meeting.
- 4 Public Question Time  
To receive Questions from the Public, in accordance with the Council's Constitution.
- 5 Minutes of the Cabinet meeting held on 17th October 2022 (Pages 1 - 6)
- 6 The Local Improvement Fund 2022/23 (Pages 7 - 16)
- 7 Treasury Management Mid-Year Review Report 2022/23 (Pages 17 - 38)
- 8 Northern Roots: Visitor Centre, External Works & Bike Hub (Pages 39 - 44)
- 9 Fleet Replacement Programme (Pages 45 - 50)
- 11 Exclusion of the Press and Public  
That, in accordance with Section 100A(4) of the Local Government Act 1972, the press and public be excluded from the meeting for the following items of business on the grounds that they contain exempt information under paragraph(s) 3 of Part 1 of Schedule 12A of the Act, and it would not, on balance, be in the public interest to disclose the reports.
- 12 Northern Roots: Visitor Centre, External Works & Bike Hub (Pages 51 - 58)
- 13 Fleet Replacement Programme (Pages 59 - 66)

**Present:** Councillor Chadderton (Chair)  
Councillors Ali, Brownridge, Jabbar, Moores, Mushtaq and Taylor

1 **APOLOGIES FOR ABSENCE**

Apologies for absence were received from Councillor Akhtar.

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 **MINUTES OF THE CABINET MEETING HELD ON 21ST  
SEPTEMBER 2022**

RESOLVED – That the minutes of the Cabinet meeting held on 21<sup>st</sup> September 2022 be approved as a correct record.

6 **HOUSEHOLD SUPPORT FUND (ROUND 3)**

The Cabinet gave consideration to a report of the Director of Finance which sought approval to allocate the Household Support Fund grant from the Department of Work and Pensions in the sum of £2,419,369 over the period 1<sup>st</sup> October 2022 to 31<sup>st</sup> March 2023.

The report set out the options for the allocation of the funding across several initiatives including food support for children and young people over the school holiday periods and help with costs of fuel and essential items for pensioners and vulnerable households.

Options/alternatives considered

Option 1 - provides £1.95m of school vouchers and contributes £385,000 towards the Council's Response to the Cost of Living Crisis.

Option 2- is as per Option 1 but with an additional cash payment of £30 to support the purchase of school uniforms for parents with children who qualify for Free School Meals (FSM) at reception and year 7, based on £30 per child. This would cost £75,000 and reduce the contribution to the Response by the same amount.

Option 3- reduces the school voucher payment over the Christmas holiday to £15 and allocates £500,000 to fund a payment of £22.50 towards fuel costs to all residents currently receiving Council Tax Reduction benefits.

Option 4 - the Council could choose not to deliver a package of support to vulnerable residents over the April to September 2022 period. As the DWP funding is ringfenced, this would mean

returning the funding to the Government. This option can be quickly discounted.



**Oldham**  
Council

RESOLVED – That Cabinet approved Option 1 which utilised the Housing Support Fund grant funding in full.

- Food Support for children and young people at £15 per week for the October, February and Easter holidays and total payment of £20 per week per eligible child over the Christmas holiday 1,950,000.
- Additional Support for the Local Welfare Provision Scheme 25,000.
- Allocations to support the Council's response to the Cost of Living Crisis:
- Support for the Warm Homes Team to provide fuel vouchers for those in emergency need and the provision of a boiler repair/replacement service 1 00,000.
- Enlisting support in partnership with funding administered by Action Together, from the Voluntary, Community, Faith and Social Enterprise sector to provide support ) in the following areas, 220,000
  - warm clothing /bedding
  - support for those with no recourse to public funds
  - essential items for the elderly including food
- Provide additional funding for Age UK to support older people with fuel payments.50,000.
- Providing additional HUGGG vouchers to complement the Holiday Activity Fund. 15,000
- Administration costs 59,369
- Total £ 2,419,369

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#### **GRANT ACCEPTANCE: CITY REGION SUSTAINABLE TRANSPORT SETTLEMENT (CRSTS) - QUALITY BUS TRANSIT (QBT) CORRIDOR**

The Cabinet gave consideration to a report of the Executive Director, Place and Economic Growth which sought to confirm the value of the grant available to Oldham via the City Region Sustainable Transport Settlement and to notify the Cabinet of the intention to bring this additional resource into the transport capital programme to commence development of the Quality Bus Transit Corridor Scheme.

The report provided details of the steps Oldham Council would need to take to procure the necessary support to develop the scheme in the appropriate timescales and to meet the funding requirement for both development and future delivery of the scheme.

Options/alternatives considered

Option 1 – To accept the grant, enter into a funding arrangement with Transport for Greater Manchester, approval for all procurement activity and tender be given.

Option 2 – Not to accept the grant funding.

RESOLVED – That:

Page 2

1. The grant offer from the City Region Sustainable Transport Settlement (CRSTS) for scheme development of the Oldham section of the Rochdale – Oldham – Ashton Quality Bus Transit (QBT) Corridor, on behalf of Transport for Greater Manchester (TfGM), be accepted.
2. Approval is granted to enter into a Funding Delivery Agreement with TfGM in relation to the proposed scheme development.
3. The intention to bring the additional resource into the transport capital programme in 2022/23 and complete development of the scheme in the appropriate timescales be noted.
4. Approval to procure and make tender awards relating to the necessary external support required to develop the QBT scheme (examples listed in the report) be delegated to the Executive Director for Place & Economic Growth.
5. Approval to use part of this resource to progress the development of and tender for a Strategic Partnership Agreement with a view to awarding the works packages to a single Contractor to meet the expectations and timescales of the funders be granted.
6. Approval to use part of this resource to appoint temporary agency support within the Highways Team to progress design options to secure further capital funding for Oldham be granted.

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### **FUTURE CONTRACTING TENDER ARRANGEMENTS FOR RESIDENTIAL AND DUAL REGISTERED CARE HOMES**

The Cabinet gave consideration to a report of the Director of Adult Social Care which sought to update the contract arrangements for residential and nursing home provision in the Borough and sought approval to conduct an open tendering exercise.

The current Oldham Council contract and service specification that was used when care home places were commissioned dated back to 2011 and a refreshed approach was needed. Pivotal changes such as the Health and Care Act 2022 and adult social care charging reforms needed to be reflected in the commissioning and contracting arrangements for the future. The intention was to implement revised contracting arrangements with market by April 2023 and the report set out the implementation plan. The proposed arrangements would be in place for a minimum of 5 years with the option to extend for a further 2 years.

Options/alternatives considered

Option 1 – Do nothing

Option 2 – Approval to go out to market with a revised contracting approach and provide delegated authority to the Director of Adult Social Care to award the contracts to compliant providers following the tender process.

**RESOLVED – That:**

1. The revised commissioning and contracting arrangements are put in place with the market reflecting those changes, including implementation of a revised

service specification referencing all legislative requirements.

2. Approval be given to undertake an open tender exercise for residential provision in the Borough.
3. Authority be delegated to the Director of Adult Social Care to award the contracts following the evaluation and moderation process being conducted.

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### **ACCESSIBLE OLDHAM - HENSHAW STREET**

Consideration was given to a report of the Executive Director for Place and Economic Growth which sought approval of recommendations relating to the Accessible Oldham Programme that would create an improved town centre pedestrian link and connectivity.

It was reported that the proposals would create an improved pedestrian access and connectivity in the Town Centre significantly improving the linkage on Henshaw Street, Albion Street and the proposed linear car park.

The costs would be financed from within existing external Future High Streets Fund allocation for the Accessible Oldham Scheme.

A central focus of the programme included the redevelopment of the former Tommyfield Market which included a proposed linear car park and residential development.

Options /alternatives considered

The options were considered at Item 12 of the agenda.

RESOLVED – That the Cabinet would consider the commercially sensitive information contained at Item 12 of the agenda before making a decision.

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### **POSITIVE STEPS CONTRACT EXTENSION FOR TARGETED YOUTH SUPPORT LOTS 2 AND 3.**

The Cabinet gave consideration to a report of the Director of Education, Skill and Early Years, which sought approval of the utilisation of Regulation 72(1) (b) of the Public Contracts Regulations 2015 to enable a modification to the term of the existing contracts for Targeted Youth Support (TYS) Lots 2 and 3 currently held by Positive Steps to allow a further extension of 12 months from 1 April 2023 to 31 March 2024.

This approach if approved would compliment and feed into the proposed early help, early intervention work, build on integrated commisioing intentions and the development of a range of delivery options.

Option /alternatives considered

Option 1 – TYS lot 2 and 3 are modified and extended for a period of 12 months up until 31<sup>st</sup> March 2024.

Option 2 – Services are tendered via The Chest.

Option 3 – Services are delivered in house from 1 April 2024.

RESOLVED -That the Cabinet would consider the commercially sensitive formation as detailed at Item 13 of the agenda before making a decision.



11 **EXCLUSION OF THE PRESS AND PUBLIC**

**RESOLVED** that, in accordance with Section 100A(4) of the Local Government Act 1972, the press and public be excluded from the meeting for the following items of business on the grounds that they contain exempt information under paragraphs 3 of Part 1 of Schedule 12A of the Act, and it would not, on balance, be in the public interest to disclose the reports.

12 **ACCESSIBLE OLDHAM - HENSHAW STREET**

The Cabinet gave consideration to the commercially sensitive information in relation to Item 9 Accessible Oldham - Henshaw Street.

**RESOLVED – That:**

1. Recommendations (i) (ii) (vi) be approved.
2. Delegated authority be given to the Executive Director for Place & Economic Growth to finalise the terms together with any ancillary documentation.
3. Delegated authority be given to the Director of Legal Services or his nominated representative to sign and affix the Common Seal of the Council to all contractual documentation necessary to give effect to the above authorisations and delegations.
4. The costs could be financed from within the existing Future High Streets Fund allocation for the Accessible Oldham scheme.

13 **POSITIVE STEPS CONTRACT EXTENSION FOR TARGETED YOUTH SUPPORT LOTS 2 AND 3.**

The Cabinet gave consideration to the commercially sensitive information in relation to Item 10 Positive Steps Contract Extension for Targeted Youth Support lots 2 and 3.

**RESOLVED – That** the utilisation of Regulation 72(1) (b) of the Public Contracts Regulations 2015 be approved to enable a modification to the terms of the existing contracts for Targeted Youth Support (YTS) Lots 2 and 3 currently held by Positive Steps to allow for a further extension of 12 months from 1 April 2023 until 31 March 2024.

The meeting started at 6.00pm and finished at 6.24pm

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## Report to CABINET

# The Local Improvement Fund 2022/23

### **Portfolio Holder:**

Councillor Amanda Chadderton, Council Leader

**Officer Contact:** Shelley Kipling (Assistant Chief Executive)

**Report Author:** Guy Parker (Policy Manager)

**14<sup>th</sup> November 2022**

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### **Reason for Decision**

The Local Improvement Fund (LIF) provides funding of £500,000 for projects that aim to improve Oldham's neighborhoods for the benefit of local residents. This paper updates Cabinet on proposals to provide £400,000 funding for larger capital projects in line with previous iterations of LIF, and £100,000 revenue funding for smaller projects worth £500 to £3,500, responding to needs in local areas.

### **Recommendation**

Review the proposals for LIF 2022/23 and agree to the process for the distribution of funds to support projects across the borough.

## 1 Background

- 1.1 The Local Improvement Fund (LIF) was established in 2019 with the aim of supporting Districts to:
  - a. Encourage the active participation of residents and local organisations in improving the quality of life in the local area.
  - b. Improve community buildings, equipment and other facilities.
  - c. Engage with residents to prioritise schemes that matter to them.
- 1.2 In 2019/20 the LIF distributed £499,260 to twenty projects across Oldham that reflected the specific and diverse needs of people in our borough, ranging from an outdoor gym in St Mary's, to making a footbridge safer in Royton, to street scene improvements in Lees.
- 1.3 The LIF was included in the Council's budget again in 2021/22, with £500,000 made available. With residents having experienced such hardship over the course of the pandemic, councillors were encouraged to propose projects that would help their community recover socially and economically.
- 1.4 Following consideration of the cross-party LIF Advisory Panel's recommendations, in 2021/22 a total of £467,807 was allocated to 18 projects across the borough, with the remaining £32,193 retained as a contingency fund to accommodate project overspend.

## 2 Proposals for 2022/23

- 2.1 In 2022/23 it is proposed that the LIF should be adapted to enable the larger local capital projects that can only be funded through LIF, while also boosting funds for smaller interventions in wards to help residents see and feel improvements quickly.
- 2.2 Under this proposal, £400,000 will be distributed through a similar process to previous years of LIF. Councillors will be asked to submit simple expressions of interest (Eoi) for projects that cost over £10,000 (**Appendix 1**). These Eois will be assessed by a cross-party advisory panel, consisting of two Councillors from the Labour Group, one Conservative and one Liberal Democrat as previously. The panel will consider the impact on residents and the value for money the project would provide. Councillors will be advised that as funding requests get larger, the expectation will be that the project's impact reaches further across the borough. Where projects are expected to cost between £30,000 and £60,000, for example, they should have a positive impact for residents across at least a couple of wards. For very large projects of more than £100,000 the expectation would be that councillors can demonstrate impact across more than one district.
- 2.3 Those projects which are progressed by the advisory panel will be asked to complete a full proposal with support from council officers. Full proposals are then

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assessed by the advisory panel, with their recommendations taken to a Sub-Committee of Cabinet for final approval.

- 2.4 The remaining £100,000 will be revenue funding and will be financed from a combination of service underspends and uncommitted reserves within Leisure, Youth and Communities division. This £100,000 must be committed and spent within the current financial year and will not be available again in 2023/24.
- 2.5 Bids for funding from this *Fast Grants* pot must be in the range £500 to £3,500 and will be assessed at a monthly meeting of the LIF Cabinet Sub-Committee, using a simple application form (**Appendix 2**). This fund can be used for anything that contributes to the following key priorities:
- Helping those adversely impacted by the cost-of-living crisis
  - Providing / improving facilities for children and young people
  - Supporting the Don't Trash Oldham campaign
- 2.6 The sub-committee will prioritise projects that have clear local support, that can demonstrate value and where there is match funding either from Councillors' personal budgets or other local funding streams.
- 2.7 The proposed timetable for the roll out of the LIF is below:

25 <sup>th</sup> November 2022	Deadline for Round 1 of Fast Grant Applications
2 <sup>nd</sup> December 2022	Advisory Panel Meeting to Review Fast Grants
2 <sup>nd</sup> December 2022	Deadline for Submission of Expressions of Interest
12 <sup>th</sup> December 2022	Advisory Panel Meeting to Review Expressions of Interest
13 <sup>th</sup> January 2023	Deadline for Round 2 of Fast Grant Applications
20 <sup>th</sup> January 2023	Advisory Panel Meeting to Review Fast Grants
20 <sup>th</sup> January 2023	Deadline for Final Applications
30 <sup>th</sup> January 2023	Advisory Panel Meeting to Review Final Applications
1 <sup>st</sup> February 2023	Cabinet Sub-Committee to Review Recommendations
2 <sup>nd</sup> February 2023	Successful Projects Announced
24 <sup>th</sup> February 2023	Deadline for Round 3 of Fast Grant Applications
3 <sup>rd</sup> March 2023	Advisory Panel Meeting to Review Fast Grants

### 3 Options/Alternatives

- 3.1 Option 1: Do Nothing – This is not a preferable option as the funding supports key community projects and district initiatives, helping deliver local priorities that would not happen without investment from the LIF.
- 3.2 Option 2: Review the proposed approach and agree to proceed with the LIF.

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## **4 Recommended Option**

- 4.1 Option 2: Review the proposed approach and agree to proceed with the LIF.

## **5 Financial Implications**

- 5.1 The £400k capital expenditure will be funded from an existing allocation within the capital programme. The option to set aside one-off revenue funding of £100k in 2022/23 for smaller bids of between £500 to £3,500 will have to be identified from a combination of service underspends and uncommitted reserves in Leisure, Youth and Communities division. (Nicola Harrop – Finance Manager)

## **6 Legal Services Comments**

- 6.1 The Cabinet will ordinarily carry out all of the Council's Executive Functions that are not the responsibility of any other part of the Council unless, the Leader decides to discharge them personally or allocate them to an individual Cabinet Member or a Committee of the Cabinet.

Where the Cabinet is exercising these functions, it may delegate those functions to a Sub-Committee of the Cabinet.

Where Executive functions have been delegated, that does not prevent the discharge of delegated functions by the person or body who delegated them; or the Leader or Cabinet from reviewing decisions made in the discharge of those functions.

## **7 Co-operative Agenda**

- 7.1 As a co-operative council, we are committed to reforming public services and encouraging innovation, leading to better outcomes and delivery. The Local Improvement Fund will ensure that Districts are best able to meet the needs of both elected members and the residents they represent. (Jonathan Downs, Corporate Policy lead).

## **8 Human Resources Comments**

- 8.1 None

## **9 Risk Assessments**

- 9.1 None

## **10 IT Implications**

- 10.1 None

## **11 Property Implications**

- 11.1 None

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**12 Procurement Implications**

12.1 None

**13 Environmental and Health & Safety Implications**

13.1 None

**14 Equality, community cohesion and crime implications**

14.1 None

**15 Equality Impact Assessment Completed?**

15.1 No

**16 Key Decision**

16.1 N/A

**17 Key Decision Reference**

17.1 N/A

**18 Background Papers**

18.1 Establishing a Local Improvement Fund for Districts – 24.06.2019

**19 Appendices**

19.1 Appendix 1 – LIF Expression of Interest

19.2 Appendix 2 – LIF Revenue Grants

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# Local Improvement Fund

## EXPRESSION OF INTEREST

### (STAGE 1)

#### OVERVIEW

The Local Improvement Fund is available to all elected members and District Teams to support our corporate priorities:

1. Helping residents adversely impacted by the cost of living crisis.
2. Providing / improving facilities for children and young people.
3. Supporting the Don't Trash Oldham campaign.

The Fund is made up of £400k capital funding in 2022/23.

To apply to the Fund, please complete this Expression of Interest form. This should be submitted to the Local Improvement Fund Advisory Group for initial consideration. If your Expression of Interest is successful you will be asked to complete a formal application for funding (Stage 2).

Please include any plans, pictures or supplementary information that will help the Advisory Group accurately score your application.

All projects should align to your District Plan and the Corporate Plan, ensuring proposed schemes meet local priorities.

For help and support completing this application please speak to your District Coordinator.

Please submit your completed Expression of Interest to [lif@oldham.gov.uk](mailto:lif@oldham.gov.uk)

#### PROJECT DETAILS

Project Name	
District / Ward	
Proposed Start Date	
Proposed Completion Date	

#### 1. Aims

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*An outline of what the project aims to achieve.*

## 2. Benefits and Outcomes

*Outline the projected benefits the project will provide. Be specific about the benefits to be realised and try to express them in a way that can be measured, for example, the impact on residents or the local area, service delivery, etc.*

## 3. Dependencies

*What is your project dependant on to succeed? Dependencies could be internal or external to the Council and could be funding, partner organisations or decisions required for the progression of the project.*

## 4. Community Consultation and Support

*Summarise any community consultation undertaken and the extent to which the potential project is supported by residents.*

## 5. Financial

*Set out a high-level assessment of the project's likely costs, affordability and value for money. Have external funding opportunities been explored?*

## 6. District Support

*Please indicate which Elected Members in your District support your proposal.*

Signed \_\_\_\_\_  
District Lead

Dated \_\_\_\_\_

# Local Improvement Fund 2022 - 2023

## Fast Grants, up to £3,500.

To apply to the Fund, please complete this application form. This should be submitted to the Local Improvement Fund Advisory Group for consideration. The Advisory Panel will meet regularly to review revenue applications. We will aim to provide results and feedback on revenue applications within 5 weeks.

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### Section One: Your Details

Name:	
Telephone Number:	
Email address:	

### Section Two: Your Project

Which of the following priorities does your project fit in with? (please tick up to two)	
Helping those adversely impacted by the cost of living crisis	<input type="checkbox"/>
Providing / improving facilities for children and young people	<input type="checkbox"/>
Supporting the Don't Trash Oldham campaign	<input type="checkbox"/>
What is the name of your project?	
What is your idea / what will you do with the grant?	
<ul style="list-style-type: none"><li><i>We would like to know how your project will fit in with the priorities that you have ticked.</i></li><li><i>Please also tell us how you will deliver the project (where, what methods would you use, who will be involved).</i></li></ul>	

How many people will directly benefit from the project?	
When will your project take place? Please include an approximate start and end date	

Please provide a breakdown of how you will spend the grant		
Item	Breakdown (how have you worked out your costings?)	Amount Requested
Total amount requested?		£

Main contact for this project:	
Enter name to confirm agreement (instead of a signature)	
Date:	

Please send this application and any supporting documents to: [LIF@oldham.gov.uk](mailto:LIF@oldham.gov.uk)



## Report to Cabinet

# Treasury Management Mid-Year Review Report 2022/23

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

**Officer Contact:** Anne Ryans, Director of Finance

**Report Author:** Lee Walsh, Finance Manager (Capital & Treasury)  
**Ext.** 6608

**14 November 2022**

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### Reason for Decision

This report advises Cabinet of the performance of the Treasury Management function of the Council for the first half of 2022/23 and provides a comparison of performance against the 2022/23 Treasury Management Strategy and Prudential Indicators.

### Executive Summary

The Council is required to consider the performance of the Treasury Management function in order to comply with the Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Treasury Management (revised 2021). This report therefore sets out the key Treasury Management issues for Members' information and review and outlines:

- An economic update for the first six months of 2022/23;
- A review of the Treasury Management Strategy Statement and Annual Investment Strategy;
- The Council's capital expenditure, as set out in the Capital Strategy, and prudential indicators;
- A review of the Council's investment portfolio for 2022/23;
- A review of the Council's borrowing strategy for 2022/23;
- Why there has been no debt rescheduling undertaken during 2022/23; and
- A review of compliance with Treasury and Prudential Limits for 2022/23.

Members will be aware that one of the roles of the Audit Committee is to scrutinize all Treasury Management reports before approval. Therefore, a version of this report was presented to the Audit Committee on 1 November 2022 to enable it to have the opportunity to review and scrutinize the 2022/23 Treasury Management Mid- Year Review report prior to its presentation to Cabinet. The Committee was content to commend the report to Cabinet.

### **Recommendation**

That Cabinet approves and commends to Council the:

- a) Treasury Management activity for the first half of the financial year 2022/23 and the projected outturn position
- b) Amendments to both Authorised Limit and Operational Boundary for external debt as set out in the table at Section 2.4.5 of the report.
- c) Amendments to the Capital Financing Requirement (CFR) as set out in the table at section 2.4.5

## Treasury Management Strategy Mid-Year Review Report 2022/23

### 1 Background

1.1 The Council operates a balanced budget, which broadly means cash raised during the year will meet its cash expenditure. Part of the treasury management operations is to ensure this cash flow is adequately planned, with surplus monies being invested with low risk counterparties, providing adequate liquidity initially before considering optimising investment return.

1.2 The second main function of the treasury management service is the funding of the Council's capital plans. These capital plans provide a guide to the borrowing need of the Council, essentially the longer-term cash flow planning to ensure the Council can meet its capital spending operations. This management of longer-term cash may involve arranging long or short-term loans, or using longer term cash flow surpluses, and on occasion any debt previously drawn may be restructured to meet Council risk or cost objectives.

1.3 As a consequence, treasury management is defined as:

“The management of the local authority's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.”

1.4 In December 2017, the Chartered Institute of Public Finance and Accountancy, (CIPFA), issued revised Prudential and Treasury Management Codes. Within these new Codes as from 2020/21, all Local Authorities have been required to prepare a Capital Strategy which is to provide the following:

- a) a high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services;
- b) an overview of how the associated risk is managed;
- c) the implications for future financial sustainability.

This change in practice was confirmed by the 2021 revision to the Codes.

1.5 The Council has traditionally prepared a Capital Strategy, but the requirements of the Prudential and Treasury Management Codes required a revised format and content to ensure alignment with both Codes. A report incorporating the new requirements was presented to the 2022/23 Budget Cabinet and Budget Council meetings.

### 2 Current Position

#### 2.1 Requirements of the Treasury Management Code of Practice

2.1.1 Treasury Management reports must be prepared in accordance with the requirements of the CIPFA Code of Practice on Treasury Management (revised 2021).

2.1.2 The primary requirements of the Code are as follows:

- a) Creation and maintenance of a Treasury Management Policy Statement which sets out the policies and objectives of the Council's treasury management activities.
- b) Creation and maintenance of Treasury Management Practices which set out the manner in which the Council will seek to achieve those policies and objectives.

- c) Receipt by the full Council of an annual Treasury Management Strategy Statement - including the Annual Investment Strategy and Minimum Revenue Provision Policy - for the year ahead, a **Mid-year Review Report** (this report) and an Annual Report (stewardship report) covering activities during the previous year.
- d) Delegation by the Council of responsibilities for implementing and monitoring treasury management policies and practices and for the execution and administration of treasury management decisions. In Oldham, this responsibility is delegated to the Director of Finance.
- e) Delegation by the Council of the role of scrutiny of treasury management strategy and policies to a specific named body. In Oldham, the delegated body is the Audit Committee.

2.1.3 This mid-year report has been prepared in compliance with CIPFA's Code of Practice, and covers the following:

- An economic update for the first six months of 2022/23;
- A review of the Treasury Management Strategy Statement and Annual Investment Strategy;
- The Council's capital expenditure, as set out in the Capital Strategy and prudential indicators;
- A review of the Council's investment portfolio for 2022/23;
- A review of the Council's borrowing strategy for 2022/23;
- Why there has been no debt rescheduling undertaken during 2022/23; and
- A review of the compliance with Treasury and Prudential Limits for 2022/23;

## 2.2 Economic Update for the First Six Months of the Financial Year

2.2.1 There has been much turbulence in the economy during the first six months of 2022/23, particularly during September after the "fiscal event" introduced by the then Chancellor of the Exchequer. The second quarter of 2022/23 saw:

- Gross Domestic product (GDP) revised upwards in Q1 2022/23 to +0.2% quarter on quarter (q/q) from -0.1%, which meant the UK economy avoided recession;
- Signs of economic activity losing momentum as production fell due to rising energy prices;
- Consumer Price Index (CPI) inflation ease to 9.9% year on year (y/y) in August, having been 9.0% in April, but domestic price pressures show little sign of abating in the near-term;
- The unemployment rate fall to a 48-year low of 3.6% due to a large shortfall in labour supply;
- Bank Rate rise by 100 basis points (bps) over the quarter, taking Bank Rate to 2.25% with further rises expected in the coming months;
- Gilt yields surge and sterling fall following the "fiscal event" of the then Prime Minister and Chancellor on 23 September.

2.2.2 The UK economy grew by 0.2% q/q in Q1 2022/23, though revisions to historic data left it below pre-pandemic levels.

2.2.3 There are signs of higher energy prices creating more persistent downward effects in economic activity. Both industrial production (-0.3% month on month (m/m)) and construction output (-0.8% m/m) fell in July 2022 for a second month in a row. Although the fall is likely due to the heat wave in the summer months, manufacturing output fell in some of the most energy intensive sectors (e.g., chemicals), pointing to signs of higher energy prices weighing on production. With the drag on real activity from high inflation having grown in recent months, GDP is at risk of contracting through the autumn and winter months.



- 2.2.4 The fall in the composite Purchasing Managers Index (PMI) from 49.6 in August to a 20-month low preliminary reading of 48.4 in September pointed to a fall in GDP of around 0.2% q/q in Q3 and consumer confidence was at a record low. Retail sales volumes fell by 1.6% m/m in August, which was the ninth fall in 10 months. That left sales volumes in August just 0.5% above their pre-Covid level and 3.3% below their level at the start of the year. There were also signs that households are spending their excess savings in response to high prices. Indeed, cash in households' bank accounts rose by £3.2bn in August, which was below the £3.9bn rise in July and much smaller than the 2019 average monthly rate of £4.6bn.
- 2.2.5 The labour market remained exceptionally tight. Data for July and August provided further evidence that the weaker economy is leading to a cooling in labour demand. The Labour Force Survey (LFS) showed employment rose by 40,000 in the three months to July (the smallest rise since February). But a renewed rise in inactivity of 154,000 over the same period meant that the unemployment rate fell from 3.8% in June to a new 48-year low of 3.6%. The single-month data showed that inactivity rose by 354,000 in July itself and there were 904,000 more inactive people aged 16+ compared to before the pandemic in February 2020. The number of vacancies has started to level off from recent record highs but there have been few signs of a slowing in the upward momentum on wage growth. Indeed, in July, the 3 month y/y rate of average earnings growth rose from 5.2% in June to 5.5%.
- 2.2.6 Consumer Price Index (CPI) inflation eased from 10.1% in July to 9.9% in August, though inflation had not peaked yet. The easing in August was mainly due to a decline in fuel prices reducing fuel inflation from 43.7% to 32.1%. With the oil price just below \$90 per barrel at the end of August, it is highly likely that fuel prices will fall further in the coming months.
- 2.2.7 However, utility price inflation was expected to add 0.7% to CPI inflation in October when the Ofgem unit price cap increases to, typically, £2,500 per household (prior to any benefit payments). At the end of September, the Government froze utility prices at that level for two years and it was expected that energy price inflation would fall sharply after October and have a big downward influence on CPI inflation. Members must note that following a change in the Chancellor of the Exchequer, the Government freeze on utility prices has been reduced from an initial 2-year period and ends in April 2023.
- 2.2.8 Nonetheless, the rise in services CPI inflation from 5.7% y/y in July to a 30-year high of 5.9% y/y in August suggested that domestic price pressures are showing little sign of abating. A lot of that is being driven by the tight labour market and strong wage growth. CPI inflation is expected to peak close to 10.4% in November and, with the supply of workers set to remain unusually low, the tight labour market will keep underlying inflationary pressures strong until early next year.
- 2.2.9 During 2022, there has been a change of both Prime Minister and Chancellor. At the end of September (as advised above) there was a step change in Government policy via the "fiscal event". The Government's huge fiscal loosening from its proposed significant tax cuts have added to existing domestic inflationary pressures and will potentially leave a legacy of higher interest rates and public debt. Most of the proposals in place at the end of September contributed to a destabilising of the economy resulting in further considerable change. Members must note that at the time of writing, both the Prime Minister Liz Truss and the Chancellor Kwasi Kwarteng have both left office. The Chancellor has been replaced by Jeremy Hunt who has reversed a significant portion of the announcement made in the "fiscal event" and the Prime Minister Liz Truss has resigned meaning there is now another leadership context to elect the next Prime Minister
- 2.2.10 Fears that the Government has no fiscal anchor on the back of these announcements has meant that the pound weakened again, adding further upward pressure to interest rates. Whilst the pound fell to a record low of \$1.035 on the Monday following the Government's "fiscal event", it has since recovered to around \$1.12. That is due to hopes that the Bank of England will deliver a very big rise in interest rates at the next policy meeting on 3 November 2022 and the Government will lay out a credible medium-term plan in the near term. This was

originally expected as part of the fiscal statement on 23 November but has subsequently been moved forward to 31 October 22. Nevertheless, with concerns over a global recession growing, there are downside risks to the pound.

- 2.2.11 The Monetary Policy Committee (MPC) has now increased interest rates seven times in as many meetings in 2022 and has raised rates to their highest level since the Global Financial Crisis. Even so, coming after the Federal Reserve Board (Fed) and European Central Bank (ECB) raised rates by 75 basis points (bps) in their most recent meetings. The Bank of England's latest 50 basis points increase looks relatively dovish. However, the UK's status as a large importer of commodities, which have jumped in price, means that households in the UK are now facing a much larger squeeze on their real incomes.
- 2.2.12 Since the fiscal event on 23 September 2022, markets are now expecting the MPC to increase interest rates further and faster, from 2.25% currently to a peak of 5.00% in February 2023. The combination of the Government's fiscal loosening, the tight labour market and sticky inflation expectations means the current forecasts are expecting the MPC to raise interest rates by 100 bps at the policy meetings in November (to 3.25%) and 75 bps in December (to 4%) followed by further 50 bps increases in February and March (to 5.00%). Market expectations as to what the MPC will do are volatile. If Bank Rate climbs to these levels, the housing market looks very vulnerable, which is one reason why the peak in our treasury advisors forecast is lower than the peak of 5.50% - 5.75% priced into the financial markets at present.
- 2.2.13 Throughout 2022/23, gilt yields have been on an upward trend. They were initially caught up in the global surge in bond yields triggered by the surprisingly strong rise in CPI inflation in the US in May. The rises in two-year gilt yields (to a peak of 2.37% on 21 June 2022) and 10-year yields (to a peak of 2.62%) took them to their highest level since 2008 and 2014 respectively. However, the upward trend was exceptionally sharp at the end of September as investors demanded a higher risk premium and expected faster and higher interest rate rises to offset the Government's fiscal stimulus plans. The 30-year gilt yield rose from 3.60% to 5.10% following the "fiscal event", which threatened financial stability by forcing pension funds to sell assets into a falling market to meet cash collateral requirements. In response, the Bank of England did two things. Firstly, it postponed its plans to start selling some of its quantitative easing (QE) gilt holdings until 31 October. Secondly, it committed to buy up to £65bn of long-term gilts to "restore orderly market conditions" until 14 October 2022. In theory, the Bank is restarting QE, although for financial stability rather than monetary policy reasons.
- 2.2.14 Since the Bank's announcement on 28 September 2022, the 30-year gilt yield has fallen back from 5.10% to 3.83%. The 2-year gilt yield dropped from 4.70% to 4.30% and the 10-year yield fell back from 4.55% to 4.09%.
- 2.2.15 The Bank continued with QE at the long end beyond 14 October 2022 in order to maintain greater stability across gilt markets following the volatility in the aftermath of the "fiscal event" (Mini Budget). So far at least, investors seem to have taken the Bank at its word that this is not a change in the direction of monetary policy nor a step towards monetary financing of the government's deficit. But instead, that it is a temporary intervention with financial stability in mind.
- 2.2.16 After a shaky start to the year, the Standard and Poors (S&P) 500 and Financial Times Stock Exchange (FTSE) 100 climbed in the first half of Q2 2022/23 before falling to their lowest levels since November 2020 and July 2021 respectively. The S&P 500 was 7.2% below its level at the start of the quarter, whilst the FTSE 100 is 5.2% below it as the fall in the pound has boosted the value of overseas earnings in the index. The decline has, in part, been driven by the rise in global real yields and the resulting downward pressure on equity valuations as well as concerns over economic growth leading to a deterioration in investor risk appetite.

## 2.3 Interest Rate Forecast

- 2.3.1 The Council's treasury advisor, the Link Group, has provided the following forecast of interest rates (at the end of Q2) over the period from December 2022 to September 2025 together with Public Works Loan Board (PWLB) Rates which are presented at certainty rates (gilt yields plus 80 bps).

Link Group Interest Rate View 27.09.22												
	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25
<b>BANK RATE</b>	4.00	5.00	5.00	5.00	4.50	4.00	3.75	3.25	3.00	2.75	2.75	2.50
3 month ave earnings	4.50	5.00	5.00	5.00	4.50	4.00	3.80	3.30	3.00	2.80	2.80	2.50
6 month ave earnings	4.70	5.20	5.10	5.00	4.60	4.10	3.90	3.40	3.10	3.00	2.90	2.60
12 month ave earnings	5.30	5.30	5.20	5.00	4.70	4.20	4.00	3.50	3.20	3.10	3.00	2.70
5 yr PWLB	5.00	4.90	4.70	4.50	4.20	3.90	3.70	3.50	3.40	3.30	3.20	3.20
10 yr PWLB	4.90	4.70	4.60	4.30	4.10	3.80	3.60	3.50	3.40	3.30	3.20	3.20
25 yr PWLB	5.10	4.90	4.80	4.50	4.30	4.10	3.90	3.70	3.60	3.60	3.50	3.40
50 yr PWLB	4.80	4.60	4.50	4.20	4.00	3.80	3.60	3.40	3.30	3.30	3.20	3.10

- 2.3.2 The forecast on 27 September 2022 (the end of the half year) sets out a view that both short and long-dated interest rates will be elevated for some little while, as the Bank of England seeks to squeeze inflation out of the economy, whilst the Government is providing a package of fiscal loosening to try and protect households and businesses from ultra-high wholesale gas and electricity prices.

- 2.3.3 The increase in PWLB rates reflects a broad sell-off in sovereign bonds internationally but more so the disaffection investors have with the position of the UK public finances after September's "fiscal event". To that end, the MPC has tightened short-term interest rates with a view to trying to slow the economy sufficiently to keep the secondary effects of inflation – as measured by wage rises – under control. The coronavirus outbreak has done huge economic damage to the UK and economies around the world. After the Bank of England took emergency action in March 2020 to cut Bank Rate to 0.10%, it left Bank Rate unchanged at its subsequent meetings.

## 2.4 Treasury Management Strategy Statement and Annual Investment Strategy Update

- 2.4.1 The Treasury Management Strategy Statement (TMSS) for 2022/23 was approved at the Council meeting on 2 March 2022. The underlying TMSS approved previously now requires revision in the light of economic and operational movements during the year. The proposed changes and supporting detail for the changes are set out in the next sections of this report.
- 2.4.2 A decrease is required to both the overall Authorised Limit (the "affordable borrowing limit" required by Section 3 of the Local Government Act 2003 above which the Council does not have the power to borrow) and Operational Boundary (the expected borrowing position of the Council during the year) for external debt. This indicator is made up of external borrowing and other long-term liabilities, Private Finance Initiatives (PFI) and Finance Leases. The revision to the limits aligns to the reduction in the Capital Financing Requirement as outlined at paragraph 2.4.4 and 2.4.5 below.
- 2.4.3 The Council has the following PFI and Public Private Partnership (PPP) Schemes each contributing to the Other Long-Term Liabilities element of the Authorised Limit and the Operational Boundary, thus making them both higher than if the Council was not required to present PFI schemes in this way:

- Gallery Oldham and Library
- Sheltered Housing (PFI2)
- Radclyffe and Failsworth Secondary Schools
- Chadderton Health & Well Being Centre
- Street Lighting
- Housing (PFI4)
- Blessed John Henry Newman RC College (Building Schools for the Future)

2.4.4 It will be necessary to reduce the Capital Financing Requirement (CFR) by £45.434m. Whilst approved capital expenditure / funding carry forwards from 2021/22 caused an initial increase, this is more than offset by estimated re-phasing and re-alignment and other anticipated adjustments in the 2022/23 capital programme resulting in the reduced CFR.

2.4.5 Members are therefore requested to comment on the key changes to the 2022/23 prudential indicators as set out in the table below which show the original and recommended revised figures:

Prudential Indicator 2022/23	Original £'000	Recommended Revised Prudential Indicator £'000
Authorised Limit	548,000	495,500
Operational Boundary	523,000	475,500
Capital Financing Requirement	520,247	474,813

## 2.5 The Council's Capital Position (Prudential Indicators)

2.5.1 This section of the report presents the Council's capital expenditure plans and their financing, the impact of the changes in the capital expenditure plans on the prudential indicators and the underlying need to borrow together with compliance with the limits in place for borrowing activity.

### Prudential Indicator for Capital Expenditure

2.5.2 The table below shows the anticipated half year position and the revised budget for capital expenditure. This will be more fully explained in the Month 6 Financial Monitoring Report presented to Cabinet. It therefore highlights the changes that have taken place and are forecast since the capital programme was agreed at the Council meeting on 2 March 2022.

Capital Expenditure by Service	2022/23 Original Estimate £'000	2022/23 Revised Estimate £'000
Community Health and Adult Social Care	2,547	1,868
Children's Services	5,425	7,686
Communities	908	446
Place and Economic Growth	75,875	49,068
Housing Revenue Account	3,383	571
Corporate/ Information Technology	5,590	4,679
Capital, Treasury & Technical Accounting	4,000	4,000
Funding for Emerging Priorities	2,520	0
<b>Closing balance</b>	<b>100,248</b>	<b>68,318</b>

- 2.5.3 The above table shows an anticipated decrease in the capital programme of £31.930m at month 6 compared to the March 2022 position, with current forecast spend of £68.318m. During the summer months the Council undertook the Annual Review of the Capital Programme in line with the practice of recent years. The review identified a requirement for significant re-profiling across a number of schemes. Most of the re-phasing moved into the years 2023/24 and 2024/25.

Changes to the Financing of the Capital Programme

- 2.5.4 The table below draws together the main strategy elements of the capital expenditure plans (above) highlighting the original supported (£53.258m) and unsupported elements i.e., requiring borrowing (£46.990m), and the expected financing (revised position) arrangements of this capital expenditure. The borrowing need element of the table increases the underlying indebtedness of the Council by way of the Capital Financing Requirement (CFR), although this will be reduced in part by revenue charges for the repayment of debt (the Minimum Revenue Provision). This direct borrowing need may also be supplemented by maturing debt and other treasury requirements.
- 2.5.5 The overall net reduction in the capital programme has resulted in a change in the mix of funding sources required in 2022/23; a decrease in total financing and also reducing the forecast borrowing need by £23.259m from £46.990m to £23.731m.

Capital Expenditure	2022/23 Original Estimate £'000	2022/23 Forecast Position £'000
Total Capital Expenditure	100,248	68,318
Financed by:		
Capital receipts	(4,472)	(5,365)
Capital grants – Ringfenced	(33,787)	(24,677)
Capital grants – Un-ringfenced	(11,714)	(13,928)
Other Contributions	(2)	(92)
Revenue	0	(54)
HRA Revenue	(3,283)	(471)
<b>Total Financing</b>	<b>(53,258)</b>	<b>(44,587)</b>
<b>Borrowing Need</b>	<b>46,990</b>	<b>23,731</b>

Changes to the Prudential Indicators for the Capital Financing Requirement, External Debt and the Operational Boundary

- 2.5.6 The table below shows the CFR, which is the underlying external need to incur borrowing for a capital purpose. As previously mentioned in paragraph 2.4.4, the CFR needs to decrease by £45.434m. It also shows the expected debt position over the period (the Operational Boundary). This indicator has decrease to reflect the revisions to the forecast year end position of the capital programme.



	2022/23 Original Estimate £'000	2022/23 Revised Estimate £'000
<b>Prudential Indicator – Capital Financing Requirement</b>		
CFR – non housing	520,247	474,813
CFR – housing	0	0
<b>Total CFR</b>	<b>520,247</b>	<b>474,813</b>
<b>Net movement in CFR</b>		<b>(45,434)</b>
<b>Prudential Indicator – External Debt / the Operational Boundary</b>		
Borrowing	316,500	269,000
Other long-term liabilities	206,500	206,500
<b>Total debt 31 March</b>	<b>523,000</b>	<b>475,500</b>

#### Limits to Borrowing Activity

- 2.5.7 The first key control over the treasury activity is a prudential indicator to ensure that over the medium term, net borrowing (borrowings less investments) will only be for a capital purpose.
- 2.5.8 Gross external borrowing should not, except in the short term, exceed the total of CFR in the preceding year plus the estimates of any additional CFR for 2022/23 and next two financial years. This allows some flexibility for limited early borrowing for future years. The Council has approved a policy for borrowing in advance of need which will be adhered to if this proves prudent.
- 2.5.9 The CFR calculation is shown in the table below and the Director of Finance reports that no difficulties are envisaged for the current or future years in complying with this prudential indicator as there is £108.515m headroom between total debt and the CFR.

	2022/23 Original Estimate £'000	2022/23 Revised Estimate £'000
Gross borrowing	195,993	161,749
Plus: other long- term liabilities*	204,736	204,549
<b>Total Debt</b>	<b>400,729</b>	<b>366,298</b>
CFR* (year-end position)	520,247	474,813
<b>Headroom</b>	<b>119,518</b>	<b>108,515</b>

\* - Includes on balance sheet PFI schemes and finance leases

- 2.5.10 A further prudential indicator controls the overall level of borrowing. This is the Authorised Limit which represents the limit beyond which borrowing is prohibited and needs to be set and revised by Members. It reflects the level of borrowing which, while not desired, could be afforded in the short term, but is not sustainable in the longer term. It is the expected maximum borrowing need with some headroom for unexpected movements. This is the statutory limit determined under Section 3 (1) of the Local Government Act 2003. Presented in the table below is the original and the revised Authorised Limit.

Authorised Limit for External Debt	2022/23 Original Indicator £'000	2022/23 Revised Indicator £'000
Borrowing	336,500	284,000
Other long-term liabilities*	211,500	211,500
<b>Total</b>	<b>548,000</b>	<b>495,500</b>

\* - Includes on balance sheet PFI schemes and finance leases.

2.5.11 The table above shows a reduction in the Authorised Limit of £52.5m due to the reduction in the capital programme and the associated financing.

## 2.6 **Borrowing**

2.6.1 It is proposed in this report that the Council's CFR for 2022/23 is revised to £474.813m and this denotes the Council's underlying need to borrow for capital purposes. If the CFR is positive the Council may borrow from the PWLB or the market (external borrowing) or from internal balances on a temporary basis (internal borrowing). The balance of external and internal borrowing is generally driven by market conditions.

2.6.2 The table within paragraph 2.5.9 shows the Council has expected year end borrowings of £366.298m and will have utilised £108.515m of cash flow funds in lieu of borrowing. This is a prudent and cost-effective approach in the current economic climate but will require on-going monitoring in the event that upside risk to gilt yields prevails.

2.6.3 The capital programme is being kept under regular review due to the effects of inflationary pressures, shortages of materials and labour. The borrowing strategy will, therefore, also be regularly reviewed and then revised, if necessary, in order to achieve optimum value and risk exposure in the long-term.

2.6.4 At this point it is not anticipated that borrowing will be undertaken during this financial year.

2.6.5 The Council applied in September 2022 for the certainty rate reduction. This entitles the Council to receive a 20-basis point rate reduction on the prevailing rate of PWLB on any borrowing undertaken from 1 November 2022 to 31 October 2023.

2.6.6 Current PWLB certainty rates and gilt yields were on a rising trend between 1 April and 30 September.

2.6.7 The 50-year PWLB target certainty rate for new long-term borrowing started 2022/23 at 2.20% before increasing to 4.80% in September 2022. The PWLB rates are set out in the following table and show for a selection of maturity periods over the first half of 2022/23, the range (high and low points) in rates and the average rates over the period. In addition, Appendix 2 tracks the movement in the PWLB certainty rate over the period April to September 2022 across the same range of loan terms as is used in the table below.



<b>Maturity Rates</b>	<b>1 Year</b>	<b>5 Year</b>	<b>10 Year</b>	<b>25 Year</b>	<b>50 Year</b>
Low	1.95%	2.18%	2.36%	2.52%	2.25%
Date	04/04/22	13/05/22	04/04/22	04/04/22	04/04/22
High	5.11%	5.44%	5.35%	5.80%	5.51%
Date	28/09/22	28/09/22	28/09/22	28/09/22	28/09/22
Average	2.81%	2.92%	3.13%	3.44%	3.17%
Spread	3.16%	3.26%	2.99%	3.28%	3.26%

## 2.7 Debt Rescheduling

2.7.1 Debt rescheduling opportunities have been very limited in the current economic climate and following the various increases in the margins added to gilt yields which have impacted PWLB new borrowing rates since October 2010. No debt rescheduling has therefore been undertaken to date in the current financial year.

2.7.2 However, now that the whole of the yield curve has shifted higher there may be better opportunities in the future, although only prudent and affordable debt rescheduling will be considered.

## 2.8 Compliance with Treasury and Prudential Indicators

2.8.1 It is a statutory duty for the Council to determine and keep under review the affordable borrowing limits. During the half year ended 30 September 2022, the Council has operated within the treasury and prudential indicators set out in the Council's Treasury Management Strategy Statement for 2022/23 and continues to manage its treasury affairs in a prudent manner. The Director of Finance reports that no difficulties are envisaged for the current or future years in complying with these indicators.

2.8.2 All treasury management operations have also been conducted in full compliance with the Council's Treasury Management Practices.

## 2.9 Annual Investment Strategy

2.9.1 The Treasury Management Strategy Statement (TMSS) for 2022/23, which includes the Annual Investment Strategy, was approved by the Council on 2 March 2022. In accordance with the Code, it is the Council's priority to ensure security of capital and liquidity.

2.9.2 The Council will aim to achieve the optimum return (yield) on its investments commensurate with proper levels of security and liquidity and with the Council's risk appetite. In current economic climate as detailed in 2.3, it is considered appropriate to keep investments short term to cover cash flow needs, but also to seek out value available in periods up to 12 months with high credit rated financial institutions, using the Link suggested creditworthiness approach, including a minimum sovereign credit rating and Credit Default Swap (CDS) overlay information.

### Creditworthiness

2.9.3 Following the Governments fiscal event on 23 September 2022, both Standard and Poor's (S&P) and Fitch have placed the UK sovereign debt rating on a Negative Outlook reflecting a downside bias to the current ratings in light of expectations of weaker finances and the economic outlook.

### Investment Counterparty criteria

- 2.9.4 The current investment counterparty criteria selection approved in the TMSS is meeting the requirement of the treasury management function.

### CDS Prices

- 2.6.13 It is noted that sentiment can easily shift, so it remains important to undertake continual monitoring of all aspects of risk and return in the current circumstances.

### Investment Balances

- 2.6.14 The Council held £107.700m of investments, including property funds as at 30 September 2022 (£105.300m at 31 March 2022). A full list of investments as at 30 September is included at Appendix 1. A summary of investments by type is included in the table below.

- 2.6.15 The Council ensures enough funds are kept in either instant access accounts and/ or on-call accounts to meet its short-term liquidity requirements. As at 30 September the Council held £42.700m in Money Market Funds. Rates on Money Markets are currently quite high compared to previous years therefore higher balances are currently invested whilst the market is volatile as these rates increase quickly.

Investment Type	Total at 30 September 2022 £'000
Property	15,000
Fixed (Term Deposits) Bank / Building Society	35,000
Certificates of Deposit (CD)	15,000
Money Market Fund (MMF)	42,700
<b>Total</b>	<b>107,700</b>

- 2.6.16 The Director of Finance confirms that the approved limits within the Annual Investment Strategy were not breached during the first six months of 2022/23.

- 2.6.17 The Council's investment strategy looks to achieve a return on its investment of Sterling Overnight Index Average (SONIA) plus a 5% mark up. The Council will maintain sufficient cash reserves to give it its necessary liquidity and may place investments up to 10 years if the cash flow forecast allows and the credit rating criteria is met. Performance against this benchmark was as follows:

Benchmark	Benchmark Return SONIA +5%	Investment Interest Earned £	Council Performance
7 days	1.25%	247,951	1.11%
1 month	1.17%	9,500	0.61%
3 months	0.96%	26,504	0.78%
6 months	0.70%	486,366	1.72%
<b>Total Interest</b>		<b>770,321</b>	
<b>Average Return first 6 months</b>	<b>1.02%</b>		<b>1.39%</b>

- 2.6.18 The Council's performance on its cash investments due to the current volatility in the market only exceeded its target in the 6 month period, but average return exceeded across all investment periods as can be seen in the table above. These investments have earned £0.770m to date.
- 2.6.19 The current investment counterparty criteria selection approved in the TMSS is meeting the requirement of the treasury management function.
- 2.6.20 The table below shows the bank rate and SONIA for a selection of maturity periods over the first half of 2022/23, the range (high and low points) in rates and the average rates over the period.

Maturity Rates	Bank Rate	SONIA	7 DAY SONIA	30 DAY SONIA	90 DAY SONIA	180 DAY SONIA
Low	0.75%	0.69%	0.69%	0.57%	0.39%	0.23%
Date	01/04/22	28/04/22	29/04/22	01/04/22	01/04/22	01/04/22
High	2.25%	2.19%	2.19%	1.82%	1.55%	1.22%
Date	22/09/22	30/09/22	30/09/22	30/09/22	30/09/22	30/09/22
Average	1.28%	1.22%	1.19%	1.11%	0.91%	0.67%
Spread	1.50%	1.50%	1.50%	1.26%	1.16%	0.99%

#### Property Fund

- 2.6.21 In the first six months of the year the Councils investment within the Churches, Charities and Local Authorities (CCLA) property fund has generated a return of (3.18%).

#### 2.10 Other Key Issues

- 2.10.1 The Council has a number of Lender Option Borrower Option (LOBO) loans that have a call date within the next few months. The lender has the option to increase the interest rate when each loan reaches its call date.
- 2.10.2 These loans currently have an interest rate lower than the market rate. Due to the current volatility and increasing borrowing rates within the market, these loans could possibly have the interest rate increased at the call date. The Council would then have the option to accept the increased interest rate or could repay the loans. The treasury team will monitor this situation and report back to Members at a future date on any loans that have been repaid.
- 2.10.3 The Council repaid £6.600m of loan stock which had reached its maturity date at the end of September 2022, thus reducing its level of outstanding debt as this borrowing has not been replaced.

### 3 Options/Alternatives

- 3.1 In order that the Council complies with the Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Treasury Management the Cabinet has no option other than to consider and approve the contents of the report. Therefore, no options/alternatives have been presented.

#### **4 Preferred Option**

4.1 The preferred option is that the Cabinet approves the Treasury Management Mid-Year Review Report and commends to report to Council.

#### **5 Consultation**

5.1 Consultation has taken place with Link Asset Services (the Council's Treasury Management Advisors), and Senior Officers. The report was presented to the Audit Committee on 1 November 2022 for scrutiny prior to its consideration by Cabinet. All matters raised by Audit Committee Members were addressed at the meeting to the satisfaction of the Committee and the Committee was content to commend the report to Cabinet.

#### **6 Financial Implications**

6.1 All included within the report.

#### **7 Legal Services Comments**

7.1 None.

#### **8 Co-operative Agenda**

8.1 The Council ensures that any Treasury Management decisions comply as far as possible with the ethos of the Co-operative Council.

#### **9 Human Resources Comments**

9.1 None.

#### **10 Risk Assessments**

10.1 There are considerable risks to the security of the Authority's resources if appropriate treasury management strategies and policies are not adopted and followed. The Council has established good practice in relation to treasury management which has previously been acknowledged in both Internal and the External Auditors' reports presented to the Audit Committee.

#### **11 IT Implications**

11.1 None.

#### **12 Property Implications**

12.1 None.

#### **13 Procurement Implications**

13.1 None.

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

14.1 None.

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

15.1 None.

**16 Equality Impact Assessment Completed?**

16.1 No.

**17 Key Decision**

17.1 Yes

**18 Key Decision Reference**

18.1 FLC-18-22

**19 Background Papers**

19.1 The following is a list of the 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 that Act.

File Ref: Background papers are contained with Appendices 1, 2A, 2B & 2C  
Officer Name: Lee Walsh/Talei Whitmore  
Contact No: 0161 770 6608 / 4424

**20 Appendices**

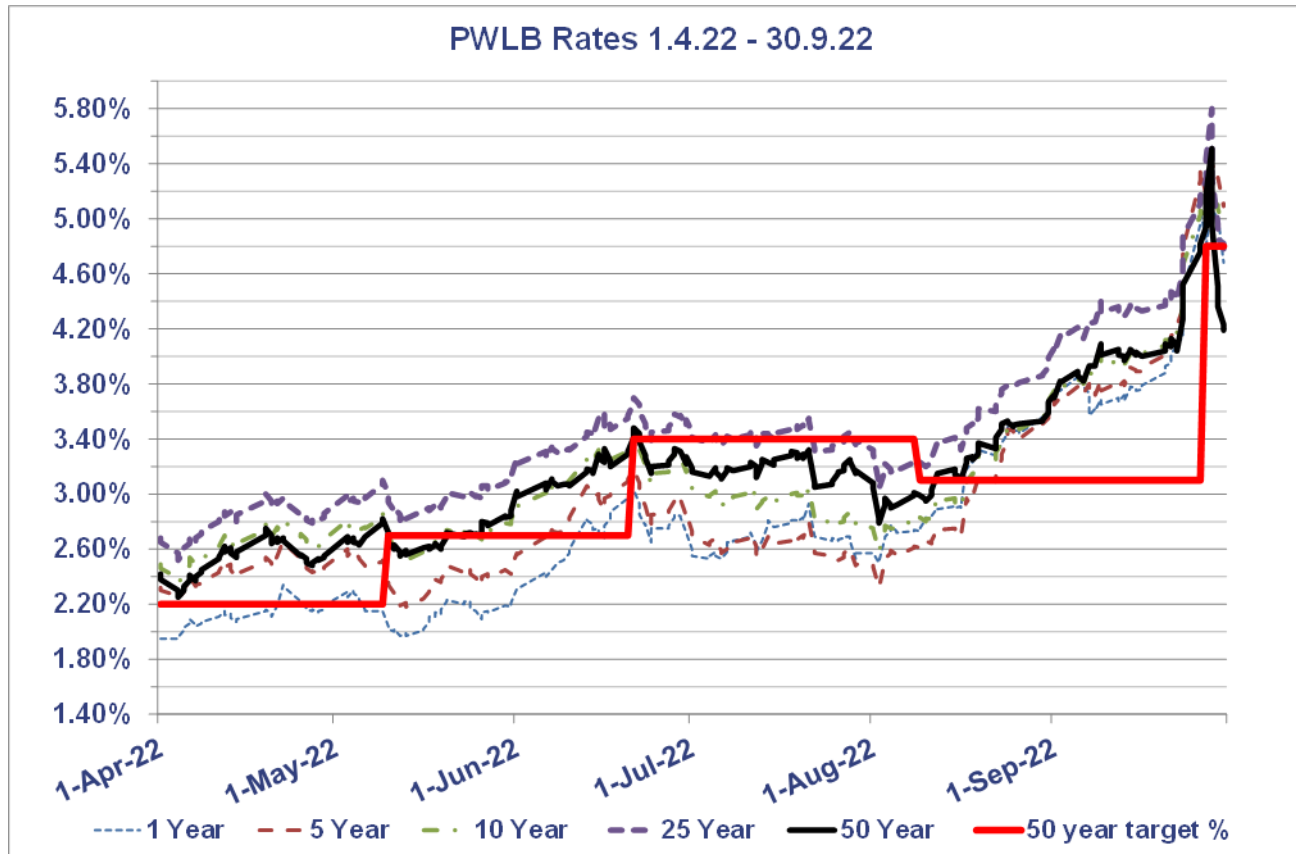
Appendix 1 Investments as at 30 September 2022  
Appendix 2A PWLB Certainty Rate Variations 2022/23  
Appendix 2B Comparison of Borrowing parameters to actual external borrowing - Table  
Appendix 2C Comparison of Borrowing parameters to actual external borrowing -Graph

Appendix 1 Investments as at 30 September 2022

Investments	Type	30th September 2022 £'000	Interest Rate	Date of Investment	Date of Maturity
CCLA Property Fund	Property	15,000	3.18%	Prior Years	open
<b>Total Property Fund</b>		<b>15,000</b>			
Nationwide Building Society	Fixed	5,000	1.22%	19-May-22	21-Nov-22
Close Brothers Ltd	Fixed	5,000	1.30%	25-May-22	25-Nov-22
SMBC	Fixed	5,000	1.97%	28-Jun-22	28-Dec-22
Close Brothers Ltd	Fixed	5,000	2.00%	29-Jun-22	29-Dec-22
Goldman Sachs	Fixed	5,000	2.28%	01-Aug-22	01-Feb-23
SMBC	Fixed	5,000	2.48%	12-Aug-22	13-Feb-23
Santander UK PLC	Fixed	5,000	3.08%	08-Sep-22	08-Mar-23
<b>Total Fixed Investments</b>		<b>35,000</b>			
Lloyds Bank PLC	CD	10,000	1.97%	08-Jul-22	06-Jan-23
Santander PLC	CD	5,000	1.99%	14-Jul-22	14-Dec-22
<b>Total Certificate of Deposit</b>		<b>15,000</b>			
Invesco MM Fund	MMF	20,000	2.01%	23-Sep-22	
Federated MM Fund	MMF	13,770	2.05%	29-Sep-22	
Aberdeen Standard MM Fund	MMF	8,930	2.10%	30-Sep-22	
<b>Total Money Market Fund</b>		<b>42,700</b>			
<b>Total</b>		<b>107,700</b>			

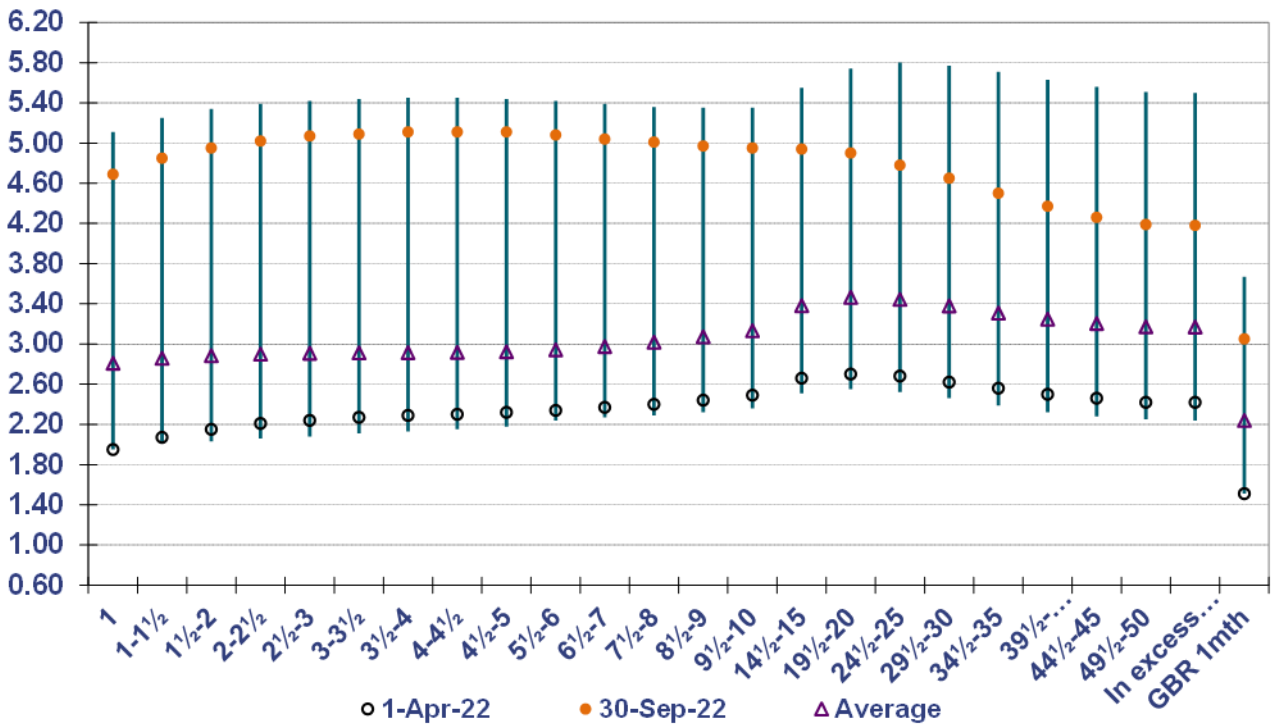
Appendix 2

2A) PWLB Certainty Rate Variations 2022/23



	1 Year	5 Year	10 Year	25 Year	50 Year
<b>Low</b>	1.95%	2.18%	2.36%	2.52%	2.25%
<b>Date</b>	01/04/2022	13/05/2022	04/04/2022	04/04/2022	04/04/2022
<b>High</b>	5.11%	5.44%	5.35%	5.80%	5.51%
<b>Date</b>	28/09/2022	28/09/2022	28/09/2022	28/09/2022	28/09/2022
<b>Average</b>	2.81%	2.92%	3.13%	3.44%	3.17%
<b>Spread</b>	3.16%	3.26%	2.99%	3.28%	3.26%

PWLB Certainty Rate Variations 1.4.22 to 30.9.22

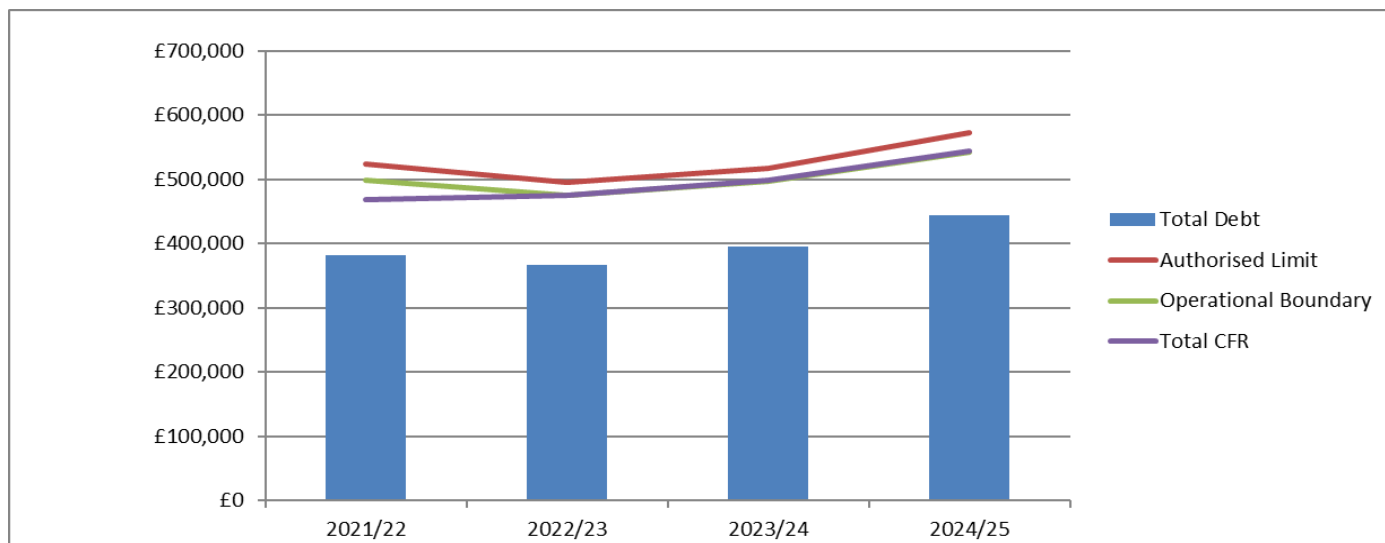




## 2B) Comparison of borrowing parameters to actual external borrowing (Table)

CAPITAL FINANCING REQUIREMENTS					
	Actual	Estimated	Estimated	Estimated	
	2021/22	2022/23	2023/24	2024/25	
	£'000	£'000	£'000	£'000	£'000
<b>CFR (including PFI and finance leases)</b>					
GFCFR	£468,895	£474,813	£498,419	£543,327	
<b>Total CFR</b>	<b>£468,895</b>	<b>£474,813</b>	<b>£498,419</b>	<b>£543,327</b>	
<b>CFR (excluding PFI and finance leases)</b>					
GFCFR	£255,259	£270,369	£304,646	£360,919	
<b>Total CFR</b>	<b>£255,259</b>	<b>£270,369</b>	<b>£304,646</b>	<b>£360,919</b>	
<b>External Borrowing</b>	<b>£167,597</b>	<b>£161,749</b>	<b>£201,749</b>	<b>£261,749</b>	
<b>Deferred Liabilities</b>	<b>£213,448</b>	<b>£204,549</b>	<b>£193,773</b>	<b>£182,408</b>	
<b>Total Debt</b>	<b>£381,045</b>	<b>£366,298</b>	<b>£395,522</b>	<b>£444,157</b>	
Authorised Limit	£523,000	£495,500	£517,500	£572,500	
Authorised Limit ex Deferred Liabilities	£303,000	£284,000	£318,000	£374,500	
Operational Boundary	£498,000	£475,500	£497,500	£542,500	
Operational Boundary ex Deferred Liabilities	£283,000	£269,000	£303,000	£359,500	

## 2C) Comparison of borrowing parameters to actual external borrowing (Graph)





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**Report to: Cabinet**

**Northern Roots: Visitor Centre, External Works & Bike Hub**

**Portfolio Holder:** Cllr Amanda Chadderton, Leader of the Council and Cabinet Member for Regeneration and Housing

**Officer Contact:**

Emma Barton, Executive Director for Place and Economic Growth

**Report Author:** Andrew Hall, Principal Regeneration Officer  
**Ext. 3456**

**Date:** 14<sup>th</sup> November 2022

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**Reason for Decision**

Cabinet approval is required to confirm the procurement approach for the next phase of the Northern Roots Visitor Centre and external works following completion of the Stage 3 Design. This report also confirms the position on the Northern Roots Bike Hub project.

**Recommendations**

Cabinet members are asked to note the contents of this report and to:

- Agree the approach to progress the Northern Roots Visitor Centre and external works project including the appointment of the consultant team as set out in this report.
- Delegate authority to the Director of Economy to develop, consult, procure and arrange for the execution by the Director of Legal Services of any relevant contracts and incidental and ancillary documentation in connection with the Northern Roots projects to be funded by the Towns Fund and Sports England.

## **1 Background**

- 1.1 Northern Roots is the UK's largest urban farm and eco-park. This nationally significant project will create 160 acres of high-quality green space and environment enhancement for community use, a short stroll from Oldham Town Centre. The Towns Fund will support the costs for constructing the proposed new Visitor Centre and some associated external works.

## **2 Current Position**

### Visitor Centre and External Works

- 2.4 Subject to Cabinet approval of the recommendations in this report, and subject to a successful procurement exercise, a Preconstruction Services Agreement (PCSA) will be awarded to the contractor submitting the most favourable bid based on a Cost/Quality/Social value assessment. Regular cost estimates will be provided by the contractor during the PCSA process. The PCSA process will conclude with a full and final cost and programme from the contractor (having secured prices on the required work packages). This in turn will be subject to a Full Business Case Gateway Review by the Council, prior to an issue of a second stage main contract award.

### Professional Services – Visitor Centre and External Works

- 2.5 In addition, the Council need to progress the appointment of the team to complete the detailed RIBA Stage 4 design alongside the appointed contractor as part of the PCSA exercise.
- 2.6 It's proposed to therefore extend the existing appointment of JDDK Architects and sub-consultant team to complete RIBA Stage 4 design to provide construction and buildability advice to the Contractor during the PCSA.

### The Bike Hub

- 2.6 By way of update, in line with a previous approval the Council has undertaken a competitive procurement process to commission a bike track. Bike Track Limited is the Council's preferred contractor for the specialist mountain bike and pump track.
- 2.7 For the remaining civils work, a detailed cost plan has been requested from the Council's supplier under the Council's 'Accessible Oldham Framework'.
- 2.8 Subject to a Full Business Case Gateway Review by the Council, it is intended to issue a contract award to each of these contractors.

## **3 Options/Alternatives**

- 
- 3.1 Option One – Agree the approach and progress the Northern Roots Visitor Centre, external works and Bike Hub projects including the appointment of the consultant team set out in this report.
  - 3.2 Option Two - Do not agree to progress the Northern Roots Visitor Centre and external works project including the appointment of the consultant team set out in this report and reprofile the allocated funds from the Town Deal allocations.

## **4 Preferred Option**

- 4.1 Option 1 is the preferred option. This is because it is essential to maintain progress and deliver the regeneration objectives of this project and the wider ‘Creating A Better Place’ ambition. The Towns Fund for the Northern Roots Visitor Centre has already received political approval and approval of the Oldham Town Deal Board. The funding needs to be contractually committed by March 2026.

## **5 Consultation**

- 5.1 A Statement of Community Involvement was submitted as part of the statutory process for the Hybrid Planning Application FUL/348898/22
- 5.2 Consultation has taken place with residents and local businesses as part of the Big Oldham Town Centre Conversation, to help raise awareness of the project, local benefits for Oldham’s communities and to ensure the physical nature of the works involved to transform the site were known. Other than concerns about parking and access to the site, no other issues were raised.
- 5.3 Local members have been consulted and during the planning stage for the Hybrid application. (Andrew Hall, Regeneration)

## **6 Financial Implications**

### Capital

As set out in the Part B Report

## **7 Legal Services Comments**

As set out in the Part B Report

## **8 Co-operative Agenda**

- 8.1 The Northern Roots project supports the Co-operative Agenda by achieving outcomes that contribute to making Oldham a place for learning, investment and do

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business, to ensure our local residents and communities can thrive via access to new jobs and training opportunities. (Jonathan Downs)

## **9 Human Resources Comments**

9.1 There are no HR implications from a statutory perspective.

## **10 Risk Assessments**

As set out in the Part B report

## **11 IT Implications**

11.1 Not applicable.

## **12 Property Implications**

12.1 Details of lease arrangements will be reported separately and costs associated with the lifecycle of the Visitor Centre will be developed at the next design stage. (Rosalynd Smith)

## **13 Procurement Implications**

As set out in the Part B Report

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

14.1 Full compliance with the Construction (Design and Management) Regulations 2015 should be ensured throughout the project at both design and construction stages. The Council's contract procedural rules should help to ensure that suitably competent contractors are appointed and monitored throughout the project (Samantha Cox).

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

15.1 Consideration should be given to crime reduction/prevention measures during any construction works and following completion, in order to reduce the potential for any adverse impact upon the community.

(L. Kenny).

## **16 Equality Impact Assessment Completed?**

16.1 N/A

## **17 Key Decision**

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17.1 Yes

**18 Key Decision Reference**

18.1 ESR/31/22.

**20 Background Papers**

20.1 None



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## **Report to CABINET**

### **Public Report - Fleet Replacement Programme (NEI-14-22)**

**Portfolio Holder:** Cllr Amanda Chadderton, Cabinet Member for Housing, Regeneration & Neighbourhoods

**Officer Contact:** Nasir Dad, Director of Environment.

**Report Author:** Mark Husdan – Operations Manager (Waste & Fleet)  
**Ext.** 2144

### **Cabinet - 14 November 2022**

#### **Reason for Decision**

The Council's fleet management service (FMS) is seeking approval to purchase new vehicles for the next three financial years (2022/23, 2023/24 & 2024/25). Approval will allow FMS to undertake the necessary procurement processes to replace end-of-life and hire vehicles within the Council's current vehicle fleet.

#### **Recommendations**

That Cabinet approve the report so that the Council's FMS can purchase required vehicles over the next three financial years.

Please note that the FMS is also requesting that the future authority to sign off and approve the resulting vehicle procurement processes is delegated to the 'Director of Environment'.

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## 1.0 Background

- 1.1 Oldham Council introduced the fleet replacement programme (FRP) in 2012/13 in accordance with the strategy approved by cabinet on 6 February 2012. The objective was to gradually replace leased and hired vehicles with purchased vehicles that would have a more economically beneficial life, ranging from 3 to 7 years (dependent on role and usage). Since then, the FMS has worked to this strategy when purchasing new vehicles for Council services.
- 1.2 The programme is now in its tenth year of operation and the purpose of acquiring vehicles by purchasing rather than leasing has been fully realised. A requirement for hired vehicles still exists but this is restricted to short term vehicle need, usually of six months duration, or less. This allows a degree of flexibility within the programme and allows the FMS to support the short-term business needs of the Council in an efficient and effective manner. Should any hire vehicle be identified as being required on a more permanent basis, it would then be considered for inclusion within any future FRP planning.
- 1.3 The last FRP report was submitted to cabinet on 25 February 2019. This report identified the required spend for five financial years (2019/20 to 2023/24).

## 2.0 Current Position

- 2.1 A review of the council's fleet, undertaken in May 2022, identified a number of amendments which are required to the agreed content of the last cabinet approved FRP report. The amendments detailed in this update report, provide a more accurate forecast of vehicle purchasing requirements for the remainder of 2022/23 and the next three financial years (2023/24, 2024/25 & 2025/26). Please note that if approved, the contents of this report would supersede the last FRP report (25 February 2019).
- 2.2 Given the expected changes within the vehicle and logistics industry over the next few years (i.e., alternative fuels, environmental legislation, clean air etc.), a reduced timeframe of three years is believed to provide a more accurate forecast of the costs associated with vehicle purchasing.
- 2.3 Whilst this report is seeking approval for vehicle purchasing over the next three financial years, the FMS is forecasting Council vehicle requirements up to 2030/31. This forecast which will be subject to an annual review with Council services to ensure that future vehicle purchasing is an accurate reflection of actual Council requirements.
- 2.4 FMS has identified the remaining spend on vehicles for 2022/23 and then total spend over the next three financial years.
- 2.5 The breakdown of the vehicles identified in this report will require a number of different procurement processes to be undertaken by the FMS - shown in **Table 1**, below. This report is seeking approval to design and implement appropriate procurement strategies for the sourcing of the required vehicles. The report is also seeking authority for the purchases to be approved by the Director of Environment in consultation with the Commercial Procurement Unit. This is rather than flooding cabinet with vehicle procurement approval reports over the next three years.

**Table 1** – Breakdown of vehicle procurements:

No.	Financial Year	Procurement Name
1	2022/23	Highways Vehicles
2	2022/23	Small Sweepers
3	2022/23	Medium Sweepers
4	2022/23	Litter Bin Vehicles
5	2023/24	Skip Vehicle
6	2023/24	Ancillary vehicles
8	2024/25	Small Sweepers
9	2025/26	Grounds Vehicles
10	2025/26	Small Sweepers

- 2.6 Given the current supply and demand fluctuations in a number of supply markets, there is a risk of vehicle price increases in future.
- 2.7 The number of vehicles identified for purchase includes several hired vehicles currently being operated within the old Unity partnership contract model. The intention here is to purchase all required vehicles (i.e., Enforcement Agents, IT) rather than continuing to hire under the old Unity model. This should create a saving within those services and improve the financial model efficiency of the Council's FMS (see section 2.9 below). These new vehicles will also now be included under the Council's FRP.
- 2.8 The Council's fleet management service (FMS) operates on a zero-based budget, meaning that the majority of costs required to operate the service are recharged back to services based on the number and type of vehicles they operate. There is, therefore, an optimum number of vehicles required to make a success of this model. If there are too many vehicles, this would then require additional resources (i.e., more mechanics) and increase current costs. Too few vehicles would mean the costs of maintaining and managing vehicles becomes too high and uncompetitive in comparison with other potential models (i.e., outsourcing etc.). The current FRP strategy to purchase, over hire and lease options protects the Council's FMS service.
- 2.9 Purchasing vehicles through FMS provides a number of benefits which protect the Council's interest when operating a fleet of specialist and working vehicles. For example, all vehicles are managed through specialist software, so each vehicle can be tracked throughout its lifetime. FMS can run reports, therefore, on the type and number of repairs which identify potential issues with drivers and vehicle faults. This improves our knowledge and expertise of vehicle manufacturers and the suitability of certain vehicles for certain tasks, which can be applied when assessing tender submissions. We can also ensure that we have the correct number and type of vehicles required to perform our duties with reliance on external contractors (i.e., hire/lease options). Operating the same type of vehicle within a service means that mechanics can also be trained to the highest available standards and become knowledgeable about vehicle issues which can be managed to the benefit of services moving forward.
- 2.10 The post Covid environment has resulted in a number of supply and demand issues being experienced within the vehicle industry. This has resulted in higher costs and delays in receiving orders. Given this issue, there needs to an understanding that there may be variances in vehicle costs and that delays may require capital funding requirements to be moved from one financial year to the next.

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- 2.11 Council vehicles are automatically assigned a 'life-span' from the date that they are purchased (i.e., 7 years for a waste collection vehicle, 3-years for a street sweeper etc.). The FMS will always assess vehicles at the end of their predicted life span to see if any vehicles in good condition can last for a longer period in service. To allow the FMS to manage this process properly would require any identified vehicle replacement funding to be potentially moved from one financial year to the next.
- 2.12 The FMS continues to monitor the scope and potential for electric and hydrogen vehicles. The Council currently runs a small fleet of non-specialist electric vehicles and is trailing a number of specialist electric vehicles as they become available from manufacturers. The FMS is also currently monitoring a number of trials being undertaken by other Councils to better inform Oldham's transition towards a zero-emission fleet. Transition to alternative fuels will also require wider Council strategic decision making around vehicle funding and the appropriateness of current depot facilities for hosting new infrastructure requirements (e.g., potential charging points, new electricity sub-stations and/or hydrogen storage facilities).

### 3.0 Options/Alternatives

The following section details the options available to cabinet.

- 3.1 **Option 1** – to approve the purchase of new vehicles for the remainder of 2022/23 and the next three financial years (2023/24, 2024/25 & 2025/26) as detailed in this report and to delegate authority to design and implement appropriate procurement strategies for the sourcing of the required vehicles to the Director of Environment in consultation with the Commercial Procurement Unit so that the FMS can purchase vehicles over the next three financial years without referring back to Cabinet. On approval, the FMS will undertake all subsequent procurement and approval processes in line with the Council's Procurement Processes
- 3.2 **Option 2** – to delay replacing vehicles within the fleet replacement programme. Whilst this may save money in terms of delaying initial purchasing costs, the potential risk of repair and breakdown costs must be factored in. Due to the nature of work and the large majority of the council's vehicle fleet (i.e., waste collection vehicles, highway repair), any vehicle that break downs has the potential to require a hired vehicle replacement. Hiring vehicles, to replace a current fleet vehicle, has a significant impact on service budgets as they are an additional and often unaccounted costs.
- 3.3 **Option 3** – to look at other FRP models such as leasing and hiring. When the Council introduced its original FRP strategy in 2012/13, it was done to replace the leased and hired vehicle models which existed at the time. The current FRP strategy is based on the economical and management benefits gained from ownership of the vehicle. The FMS has worked to this strategy for the past ten years.

### 4.0 Preferred Option

- 4.1 **Option 1** – to approve the purchase of new vehicles for the remainder of 2022/23 and the next three financial years (2023/24, 2024/25 & 2025/26) as detailed in this report and to delegate authority to design and implement appropriate procurement strategies for the

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sourcing of the required vehicles to the Director of Environment in consultation with the Commercial Procurement Unit so that the FMS can purchase vehicles over the next three financial years without referring back to Cabinet. On approval, the FMS will undertake all subsequent procurement and approval processes in line with the Council's Procurement Processes

## **5.0 Consultation**

5.1 N/A

## **6.0 Financial Implications**

### **6.1 Capital Implications**

6.1.2 It is currently anticipated that the Fleet Replacement Programme will be funded entirely via Prudential Borrowing.

6.1.3 The disposal of existing fleet may generate capital receipts which could be used to support the overall financing of the capital programme. However, the value and timing of such receipts cannot be estimated at present and will only be included in as a financing source for the Council when confirmed.

### **6.2 Revenue Implications**

6.2.3 It is currently anticipated that where fleet switches to from being leased to being purchased, there are potential revenue savings due to the financing charges being less than the lease costs over the period the fleet would be leased.

6.2.4 It is important to note that opportunities to minimise the additional costs to the Council in future financial years of the fleet replacement programme will be reviewed when the Capital Strategy and Programme for 2023/24 to 2027/28 is prepared. This will have regard to the profiling and financing of the wider programme.

(James Postle)

## **7.0 Legal Services Comments**

7.1 The Council's Contract Procedure Rules (CPRs) will govern all commissioning activity. The CPRs incorporate an obligation to comply with relevant procurement legislation where it applies.

7.2 Therefore, subject to approval being delegated to the Director of Environment, in consultation with the Commercial Procurement Unit, to design and implement suitable procurement strategies for the purchase of the required vehicles (as detailed in this report) and all commissioning activity is concluded in accordance with CPRs, there are no known legal implications at this time.

Sarah Orrell – Commercial & Procurement Solicitor

## **8.0 Co-operative Agenda**

8.1 The recommended option will support the cooperative agenda by ensuring that the Council has a fleet of vehicles able to meet the needs of our residents and services alike.

(Jonathan Downs – Corporate Policy Lead)

## **9.0 Human Resources Comments**

- 
- 9.1 N/A
- 10.0 Risk Assessments**
- 10.1 The proposed way forward for procuring vehicles seems sensible from a risk perspective (Mark Stenson)
- 11.0 IT Implications**
- 11.1 N/A
- 12.0 Property Implications**
- 12.1 N/A
- 13.0 Procurement Implications**
- 13.1 The Commercial Procurement Unit supports the recommendation and will work alongside the Fleet Management Service to produce a procurement strategy which will both meet the needs and demands of the Council and ensure value for money. All tendering activity under this strategy will be conducted in line with the Council's Contract Procedure Rules and the Public Contract Regulations 2015.  
(Emily Molden).
- 14.0 Environmental and Health & Safety Implications**
- 14.1 N/A
- 15.0 Equality, community cohesion and crime implications**
- 15.1 N/A
- 16.0 Equality Impact Assessment Completed?**
- 16.1 No – not required.
- 17.0 Key Decision**
- 17.1 Yes
- 18.0 Key Decision Reference**
- 18.1 NEI-14-22
- 19.0 Background Papers**
- 19.1 N/A
- 20.0 Appendices**

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of the Local Government Act 1972.

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