

Public Document Pack
CABINET
10/02/2020 at 6.00 pm



Present: Councillor Fielding (Chair)
Councillors Chauhan, Jabbar, Mushtaq, Roberts, Shah and Ur-Rehman

1 **APOLOGIES FOR ABSENCE**

Apologies for absence were received from Councillor Chadderton.

2 **URGENT BUSINESS**

There were no items of urgent business received.

3 **DECLARATIONS OF INTEREST**

Councillor Chauhan declared a prejudicial interest at Item 6 by virtue of his receiving sponsorship from a trade union in the last 12 months.

Councillors Fielding, Jabbar, Shah, Mushtaq, Roberts and Ur-Rehman declared personal interests at Item 6 by virtue their being members of a trade union.

4 **PUBLIC QUESTION TIME**

There were no public questions received.

5 **MINUTES OF THE ADMINISTRATION BUDGET PERFORMANCE AND VALUE FOR MONEY SELECT COMMITTEE HELD ON 23RD JANUARY 2020**

Members considered the draft minutes of the Performance and Value for Money Select Committee held on the 23rd January 2020.

It was reported that the Select Committee recommended to Council all of the budget reduction proposals included in the report to a value of £3.011m for approval.

RESOLVED – That the deliberations and comments of the Performance and Value for Money Select Committee held on the 23rd January 2020 be noted.

6 **MINUTES OF THE OPPOSITION BUDGET PERFORMANCE AND VALUE FOR MONEY SELECT COMMITTEE HELD ON 4TH FEBRUARY 2020**

Councillor Chauhan left the meeting at the beginning of this Item.

RESOLVED – That the deliberations and comments of the Performance and Value for Money Select Committee held on 4th February 2020 be noted.

7 **REVENUE MONITOR AND CAPITAL INVESTMENT PROGRAMME 2019/20 MONTH 8 – NOVEMBER 2019**

The Cabinet gave consideration to a report of the Director of Finance which provided them with an update on the Council's 2019/20 forecast revenue budget position and the financial

position of the capital programme as at 30 November 2019 (Month 8), together with the revised capital programme 2019/24. In relation to the Revenue position, the Cabinet was informed that the current forecast outturn position for 2019/20 was a projected adverse variance of £1.367m after allowing for approved and pending transfers to and from reserves.

The most significant areas of concern were the People and Place, Children's Services and Community Services and Adult Social Care portfolios. Action was being taken and would continue for the remainder of the financial year to address variances and take mitigating action as detailed in the report. The Cabinet noted the overall corporate position was, to a limited extent, being managed by offsetting favourable variances, most noticeably from Capital, Treasury and Corporate Accounting budgets. Management action had been initiated across all service areas to review and challenge planned expenditure and to maximise income. Progress was being made and this was demonstrated in the position being reported at month 8. Further work needed to be done, if as anticipated, the outturn was to move to a balanced position by the end of the financial year.

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

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

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

Options/Alternatives considered

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

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

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

RESOLVED – That:

1. The forecast revenue outturn for 2019/20 at month 8 being a £1.367m overspend be approved
2. The forecast positions for both the HRA and Collection Fund be approved

3. The use of reserves as detailed in Appendix 1 to Annex 1 be approved
4. The revised capital programme for 2019/2024 as at month 8 be approved.

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

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

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

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

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

The Cabinet was informed that the key adjustments to funding confirmed in the 2020/21 Provisional LGFS were:

- An increase in expected Core Government Funding over previous estimates of £6.664m (estimates assumed the continuation of austerity);
- An additional £10.596m of Government Grants over and above the expected level - primarily the continuation of previously time limited Improved Better Care Fund and Winter Pressures Grants (totalling £2.708m) and the 2020/21 Social Care Support Grant (£6.954m).

The Provisional LGFS confirmed referendum limits for a general purpose Council Tax increase and the Government would permit rises of up to 2% per annum for 2020/21 without the need to hold a referendum. The Government also confirmed the continued ability to charge an Adult Social Care Precept allowing up to a 2% increase in Council Tax for 2020/21 (ringfenced for use for Adult Social Care). The Council Tax referendum limits for 2020/21 applicable to the Council therefore allowed an overall increase of 4%.

Members were reminded that the Council Tax policy approved within the 2019/20 budget was that for 2020/21 Council Tax would increase by 2% for the Adult Social Care Precept (ASCP) and 1.99% for general purposes; an overall increase of 3.99%. Whilst the capping criteria for 2020/21 would permit this approach, mindful of the financial position of the Authority but also the impact of a further increase in Council Tax on the citizens of Oldham, a revision to Council Tax policy was proposed with the retention of the 2% increase in relation to the ASCP but a reduction to the increase in Council Tax for general purposes to 0.99% rather than 1.99%. In overall terms the proposed increase to Oldham Council Tax would be 2.99%. The Government proposed not to set Council Tax referendum principles for Mayoral Combined Authorities in 2020/21 but had set referendum principles for Police and Crime Commissioners (including the GM Mayor) which gave Police and Crime Commissioners the flexibility to increase funding by setting the Council Tax referendum limit to £10 for a Band D property. An increase of £14 was being proposed by the Mayor for the Mayoral General Precept (which included Fire and Rescue Services) and an increase of £10 was being proposed for the GM Police and Crime Commissioner precept. An increase of up to £24 was being consulted upon.

The Cabinet was informed that, based on the latest estimates, the budget reduction requirement for 2020/21 had decreased from the previously reported figure of £22.871m to £18.169m. Section 10 of the report detailed the Administration's budget reduction proposals. There were a total of seven proposals expected to deliver savings of £3.011m in 2020/21. If approved in full, these proposals further reduced the budget reduction requirement to £15.158m for 2020/21.

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

- £1.413m from gains anticipated in 2019/20 from the Greater Manchester 100% Business Rates Retention Pilot Scheme;
- £1.300m of further benefit made available by the GMCA from the Greater Manchester 100% Business Rates Retention Pilot Scheme in 2019/20;
- £3.113m from reserves relating to a refund of the 2019/20 Waste Levy; and
- £4.182m from Corporate Reserves.

Approval of the proposals set out in the report in full by Budget Council would deliver a balanced revenue budget for 2020/21. The budget reduction requirement for subsequent years was forecast to be £23.243m for 2021/22, £13.016m for 2022/23, £13.568m for 2023/24 and £12.921m for 2024/25.

The Fees and Charges proposals for 2020/21 were presented at Appendix 7 and the Council's Pay Policy Statement was presented at Appendix 12.

The report also summarised the reserves and balances position supporting the Councils financial resilience. In addition, section 17 of the report set out the proposed budget strategy for future years

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

The report had been presented to the Performance and Value for Money Select Committee on the 23rd January 2020 and the Committee commended the report to Cabinet.

Following consideration of the Opposition Budget proposals on the 4th February 2020 the Select Committee made eight recommendations to the Cabinet, which were considered as follows:

1. the Committee suggested that the Cabinet give a consideration to the provision of refreshments at meetings going forward. The Cabinet noted that this issue had been presented and rejected previously, and were not minded to recommend this to Council for 2020/21;
2. The Cabinet were reminded of the decision of the Council on 27th February 2019 to undertake a review of essential car user allowances and were recommended to consider this issue within the wider review of reward packages. The Cabinet were minded to recommend to Council for 2020/21 that the review be undertaken along with a wider review of recognition and reward packages;
3. The Committee suggested that the Cabinet gave consideration to the reduction of the subsidisation of Trade Union support. The Cabinet noted that this issue had been presented and rejected previously, and were not minded to recommend this to Council for 2020/21;
4. The Committee suggested that the Cabinet give a consideration to increasing the income target with regard to Section 38 and Section 278 inspections within the Highways service. The Cabinet were mindful that the achievement of additional income in this service area could not be guaranteed and had therefore not chosen to pursue this as a budget reduction proposal. It would not therefore be recommended to Council;
5. The Cabinet was asked to investigate the feasibility of the provision of additional healthcare centres in Saddleworth and Chadderton when it considered the Capital Programme in a future year. Cabinet noted that the 2020/21 to 2024/25 Capital Programme to be considered at the Council meeting on 26th February 2020 reflected the Administration's priority projects. Cabinet were minded to recommend that, when a review was undertaken to determine which schemes may be included in future years, additional health care centres for Saddleworth and Chadderton be considered.;
6. The Cabinet be recommended to reverse the decision to reduce Parish Council Grant funding and re-instate the £15,000 budget. Cabinet were informed that the reduction had been agreed on the basis that it was in equal

proportion to the loss in government funding experienced by the Council. It was not considered appropriate to protect Parish councils from the impact of government funding cuts and the Cabinet were not minded to recommend this to Council for 2020/21;

7. The Cabinet was asked to look at the issue of School Holiday Food Clubs and try to find funding to provide additional support to School Holiday Clubs. The Cabinet recognised the importance of the School Holiday Food Clubs, given the pressure on family budgets caused by government welfare reforms, and was minded to recommend that there be a review of the level of support that could be offered from within existing budgets;
8. The Cabinet be asked to undertake a review of the Corporate Priorities Budget to consider whether £15,000 funding of the annual Saddleworth Band Contest could be identified. The Cabinet recognised the importance of the Saddleworth Band Contest and was minded to recommend that, during the preparation for the contest in 2020, there be a review of the level of support that could be offered from within existing budgets

Options/Alternatives considered:

Option 1 – Cabinet accepts the assumptions and resulting financial forecasts presented within the report and the budget position at Appendix 4.

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

Option 3 – Cabinet approves and commends to Council all the budget reduction proposals included in this report to the value of £3.011m and the approach to the use of reserves and balances as well as Council Tax and Adult Social Care Precept in increases.

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

RESOLVED – That:-

A. The Cabinet accepted and commended to Council:

1. The policy landscape and economic context in which the Council was setting its revenue budget for 2020/21 and Medium Term Financial Strategy to 2024/25;
2. The impact of Oldham Council Policies and Strategies on the Council's budget setting process and the development of its Medium Term Financial Strategy;
3. The financial forecasts for 2020/21 to 2024/25 having regard to the Provisional Local Government Finance Settlement and associated funding announcements;
4. The key issues to be addressed in continuing to respond to the financial challenges facing the Council;
5. The 2020/21 Budget Reduction Proposals at a value of £3.011m;
6. The proposed use of £5.826m of reserves for specific purposes and £4.182m of corporate reserves to balance the 2020/21 budget;
7. The fees and charges schedule included at Appendix 7;

8. A proposed Council Tax increase of 2.99% for Oldham Council services resulting in the charges set out at paragraph 15.3 and Table 29 of the report and in detail at Appendix 8;
 9. The proposal to draw on the Collection Fund for major preceptors of £113.271m for Borough Wide services and £96.466m for Council services;
 10. The proposed budget for 2020/21 for the Council set at £233.512m;
 11. The revised estimated budget reduction targets of £23.243m for 2021/22, £13.016m for 2022/23, £13.568m for 2023/24 and £12.921m for 2024/25.
 12. The pay policy statement included at Appendix 12.
 13. That a review of reward and recognition packages, to include essential car user allowances, be undertaken during 2020/21.
- B. The Cabinet recommended that:
1. Additional health care centres for Saddleworth and Chadderton be considered when a review was undertaken to determine which schemes may be included in the Capital Programme in future years;
 2. In relation to School Holiday Food Clubs, there be a review of the level of support that could be offered from within existing budgets;
 3. In relation to the 2020 Saddleworth Band Contest, there be a review of the level of support that could be offered from within existing budgets.

9

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

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

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

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

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

The 2020/21 position had been presented after allowing for an increase in dwelling rents of 2.7%, the increase in non-dwelling

rents in line with individual contracts, the freezing of all service charges and the setting of Extra Care Housing and Holly Bank concierge charges to fully recover costs.

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

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

Options/Alternatives considered

In order that the Council complied with legislative requirements it must consider and approve a Housing Revenue Account budget for 2019/20.

Three options with regard to rent had been assessed.

1. proposed rent increase of 2.7%
2. proposed rent increase of 1.7%
3. rents to be frozen for 2020/21.

Compared to a 2.7% increase, the loss to the HRA for 2020/21 in terms of rental income would be, £0.084m at a 1.7% rent increase and £0.229m with no rent increase.

The Cabinet was advised that, although losses in income for 2020/21 could be considered manageable, it was the cumulative impact of sustained losses of income that would have a lasting and significant impact on the long-term financial strength of the HRA and potentially its ability to meet its current and future financial commitments. This was emphasised with the inflation factor built into the Unitary Charge. A proportion of the Unitary Charge expenditure currently increased by an inflation factor linked to the Retail Price Index (RPI), therefore were the Council not to introduce the proposed rent increase, or to increase rents at a level below the current proposal, it would limit the ability of the HRA to meet its future financial commitments and support the aspirations of the Council's wider Housing Strategy.

RESOLVED - That the following be approved and commended to Council:

1. Forecast HRA outturn for 2019/20 (as per Appendix A)
2. Proposed HRA budget for 2020/21 (as per Appendix B)
3. Strategic estimates for 2020/21 to 2024/25 (as per Appendix D)

4. Proposed increase to dwelling rents for all properties of 2.7%.
5. Proposed increase to non-dwelling rents as per individual contracts.
6. Proposal that service charges be unchanged.
7. Proposal to set Extra Care Housing and Holly Bank concierge charges to fully recover actual costs

10

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

Consideration was given to a report of the Director of Finance which set out the Capital Strategy for 2020/21 to 2024/25 and thereby the proposed 2020/21 capital programme, including identified capital investment priorities, together with the indicative capital programme for 2021/22 to 2024/25, having regard to the resources available over the life of the programme. The Council's Capital Strategy and Capital Programme were set over a five-year timeframe. The proposed Capital Strategy and Programme for 2020/21 to 2024/25 took the essential elements of the 2019/24 and previous years' strategies and programmes and moved them forward in the context of the financial and political environment for 2020/21.

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

Capital Strategy

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

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

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

Capital Programme

Members were informed that the projected outturn spending position for 2019/20 was £63.945m. The People and Place Directorate, which managed all of the major regeneration projects, constituted the main area of expenditure (£33.406m).

Ringfenced and Un-ringfenced grants (£29.888m) followed by Prudential Borrowing provided the main source of financing (£18.967m). Actual expenditure to 30 November 2019 was £33.031m (51.63% of forecast outturn). This spending profile was in line with previous years, the position would be kept under review and budgets would continue to be managed in accordance with forecasts.

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

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

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

Members were informed that, as at the month 8 capital monitoring position, the anticipated expenditure over the five year life of the 2019/20 to 2023/24 strategy was £272.939m, taking 2019/20 aside (£63.945m) leaves £208.994m for the remainder of the approved 2020/21-2023/24 Capital Programme. Following the approval of the new and refreshed strategies including Creating a Better Place, and moving forward the planning period by one year, the Capital Strategy for 2020/21 to 2024/25 totalled £479.108m. A significant increase in investment to deliver change for Oldham was therefore evident. A review of the Capital Programme had highlighted that there was already a full range of commitments for the period 2020/21 to 2024/25 but additional funding allocations totalling £270.114m had been added to support the ambitious regeneration programme.

The Capital Programme included proposed expenditure for 2020/21 of £147.159m, with the largest area of expenditure being on regeneration, transport and infrastructure projects within the People and Place Directorate. Total expenditure decreased to £131.467m in 2021/22, then to £102.510m and £40.999m in 2022/23 and 2023/24 respectively, and in the final year of the current programme 2024/25 spend increased to an estimated £56.973m.

The Government continued to provide significant levels of grant funding, after an initial reduction at the start of the austerity period. The main source of grant income remained education-related with Basic Need Capital grant funding allocations totalling £25.535m over the life of the programme. The 2020/21 capital programme relied on £22.031m of unringfenced and £11.209m of ringfenced grants

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

The Cabinet noted there would be a continued review of capital spending requirements as the Council had further regeneration ambitions but affordability and deliverability would be key considerations in this regard. It was possible that the capital position may change prior to the start of 2020/21 and during the year. The overall Capital Programme position would be kept under review and any new information about funding allocations would be presented to Members in future reports.

Options/Alternatives considered

Members could choose to accept the proposed Capital Strategy and Capital Programme or revise and suggest an alternative approach to capital investment including the revision of capital priority areas.

RESOLVED - That the Cabinet accepted and commended to Council:

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

11

TREASURY MANAGEMENT STRATEGY STATEMENT 2020/21

The Cabinet gave consideration to a report of the Director of Finance which presented the strategy for 2020/21 Treasury Management activities including the Minimum Revenue Provision Policy Statement, the Annual Investment Strategy and Prudential Indicators together with linkages to the Capital Strategy.

Members were informed that the Council was required through regulations supporting the Local Government Act 2003 to 'have regard to' the Prudential Code and to set Prudential Indicators for the next three years to ensure that the Council's capital investment plans were affordable, prudent and sustainable. It was also required to produce an annual Treasury Strategy for borrowing and to prepare an Annual Investment Strategy setting out the Council's policies for managing its investments and for giving priority to security and liquidity of those investments. The Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Treasury Management 2017 (the Code) required the receipt by full Council of a Treasury Management Strategy Statement.

The Strategy for 2020/21 covered two main areas.

Capital Issues

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

Treasury Management Issues:

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

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

Cabinet noted that the Audit Committee, the body charged with the detailed scrutiny of Treasury Management activities considered the proposed Treasury Management Strategy report at its meeting on 20 January 2020. It was also presented to the Overview and Scrutiny Performance and Value for Money Select Committee on 23 January 2020. Both the Audit Committee and the Overview and Scrutiny Performance and Value for Money Select Committee were content to commend the report to Cabinet.

Options/Alternatives considered

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

Therefore no options/alternatives were considered.

RESOLVED -That the following be accepted and recommended to Council:

1. Capital Expenditure Estimates as per paragraph 2.1.2;
2. MRP policy and method of calculation as per Appendix 1;
3. Capital Financing Requirement (CFR) Projections as per paragraph 2.2.4;
4. Projected treasury position as at 31 March 2020 as per paragraph 2.3.3;
5. Treasury Limits as per section 2.4;
6. Borrowing Strategy for 2020/21 as per section 2.6;
7. Annual Investment Strategy as per section 2.10 including risk management and the creditworthiness policy at section 2.11; and
8. Level of investment in specified and non-specified investments detailed at Appendix 5.



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

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

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

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

Options/Alternatives considered:

Option 1 - Maintain the present level of support i.e. limiting the level of support at 85% of the Council Tax for a Band A property.

Option 2 - Limit the maximum level of support from 2020/21 to 82.5%

Option 3 - Align the CTR scheme to reflect some of the changes made to Housing Benefit

Option 4 - Change the method of assessment for UC/CTR cases

RESOLVED – That the Cabinet approved and commended to the Council the proposed Council Tax Reduction Scheme for 2020/21 which is unchanged from the 2019/20 scheme.

13

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

Consideration was given to a report of the Director of Finance which recommended that the Cabinet considered the level of balances necessary to support the 2020/21 budget underpinned

by the agreed policy on Earmarked Reserves, setting a properly balanced revenue budget which included the financing of capital investments within the present investment proposals.

Members were informed that, in order to comply with Section 25 of the Local Government Act 2003; the Authority's Chief Financial Officer (the Director of Finance) was required to report on the robustness of the estimates made for the purposes of the revenue budget calculations and the adequacy of the proposed reserves. This information enabled a longer-term view of the overall financial resilience of the Council to be taken. It also reported on the Director of Finance's consideration of the affordability and prudence of capital investment proposals. The level of general balances to support the budget and an appropriate level of Earmarked Reserves maintained by the Council in accordance with the agreed Council Policy on Earmarked Reserves, were an integral part of its continued financial resilience supporting the stability of the Council. Whilst the Council had prepared a detailed revenue budget within a five-year Medium Term Financial Strategy (MTFS), a five year capital programme and continued the closure of accounts within an appropriate timeframe allowing early focus on the upcoming challenges and a robust financial transformation programme, there continued to be a reliance on the use of reserves to balance the revenue budget.

Since 2016/17, reserves of £22.937m had been used to underpin the Council's revenue budget. For 2020/21, there was a proposed use of reserves of £10.008m combined with a number of one-off measures totalling £5.150m. The continued use of reserves and one-off measures had the impact of deferring the changes that were required to balance the revenue budget by on-going sustainable means. The implementation of the next phase of the transformation programme in 2020/21 was expected to begin to address this challenge. The expected benefits of the transformation programme would be phased over several financial years and it was anticipated that there would continue to be a need to utilise reserves until the programme was complete.

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

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

Whilst the Council was utilising a number of reserves to support the 2020/21 revenue budget, Members were assured that the Council currently remained financially resilient and was working hard to address the pressures that had arisen over a number of

years and therefore still continued to be well placed to meet the difficult financial challenges that it faced.



Oldham
Council

RESOLVED - That the following be accepted and commended to Council:

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

The meeting started at 6.00 pm and ended at 6.29 pm

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