

Public Document Pack
CABINET
23/02/2021 at 6.00 pm



Present: Councillor Fielding (Chair)
Councillors Brownridge, Chadderton, Chauhan, Jabbar, Moores,
Mushtaq, Roberts and Shah

Also in Attendance: Anne Ryans – Director of Finance

1 **APOLOGIES FOR ABSENCE**

There were no apologies for absence received.

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 **DRAFT MINUTES OF THE ADMINISTRATION BUDGET
PERFORMANCE AND VALUE FOR MONEY SELECT
COMMITTEE HELD ON 28TH JANUARY 2021**

Members considered the draft minutes of the Performance and Value for Money Select Committee held on the 28th January 2021.

It was reported that the Select Committee recommended to Council all of the budget reduction proposals included in the report to a value of £8.920m for approval.

RESOLVED – That the deliberations and comments of the Performance and Value for Money Select Committee held on the 28th January 2021 be noted.

6 **DRAFT MINUTES OF THE OPPOSITION BUDGET
PERFORMANCE AND VALUE FOR MONEY SELECT
COMMITTEE HELD ON 9TH FEBRUARY 2021**

RESOLVED – That the deliberations and comments of the Performance and Value for Money Select Committee held on 9th February 2021 be noted.

7 **REVENUE MONITOR AND CAPITAL INVESTMENT
PROGRAMME 2020/21 MONTH 8 – NOVEMBER 2020**

The Cabinet gave consideration to a report of the Director of Finance which provided them with an update on the Council's 2020/21 forecast revenue budget position and the financial position of the capital programme as at 30 November 2020 (Month 8), together with the revised capital programme 2020/25. In relation to the Revenue position, the Cabinet was informed that the current forecast outturn position for 2020/21 was a projected deficit variance of £8.330m after allowing for approved and pending transfers to and from reserves.

The position also included additional costs and pressures that have been identified by the Authority in this financial year as a

direct result of the Governments ongoing arrangements to mitigate the spread of COVID-19 which commenced on 23 March 2020. The additional pressures included forecasts of both income shortfalls and additional expenditure that have impacted on the Authority's budgets as a result of the pandemic.

The pandemic has affected nearly all aspects of Council service delivery; however, the most significant areas of concern are the People and Place, Children's Services and Community Health & Adult Social Care Portfolios. Action was being taken and will 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, being offset by the application of the £24.902m unringfenced Government COVID related grant funding from the Ministry for Housing, Communities and Local Government (MHCLG), of which £7.641m was received in 2019/20 and held in a specific Earmarked Reserve to underpin the 2020/21 budget. There had been actual, in-year, receipts of £16.337m of COVID Emergency Funding, including £1.282m for the first claim for loss of income in relation to sales, fees and charges under the income compensation scheme (SFC). In addition, provision was made for the second SFC claim, calculated as £0.924m for the period August to November, which has been submitted to the MHCLG but not yet formally agreed for payment. The overall pressure was further offset by a refund from the GMCA for waste disposal contributions. In Appendix 1 to the report, both the full Government grant and the refund were presented as single sums so that it highlighted the level of variation across all Council budgets, given that there was still insufficient resource to fully offset the adverse variance. However, this summary report presents the position after applying the Government grant and the refund across Portfolio areas.

Section 4 of the report advised Cabinet of the grants that the Council had received. There have been a number of developments particularly in relation to support for businesses and to provide additional support for the Council. Further grant funding and external contributions were expected, as a result, both the overall financial position and the application of Government grant would therefore change during the remainder of the financial year. As this financial monitoring report reflected the financial position at Month 8, it could be regarded as an indicator of the potential year end position, however, management action had been initiated across all service areas to review and challenge planned expenditure and to maximise income. As previously mentioned, there was an expectation of increased grant funding and external contributions which, based on current projections should bring the Council to a balanced position by the year end. However, it was important to note the worsening position in relation to the course of the pandemic, potentially made more challenging firstly by the Authority, along with rest of Greater Manchester being placed under Tier 4 Stay at Home restrictions from 31 December 2020 and then the full national lockdown effective from 5 January 2021. Financial pressures on the Council could increase even further and therefore, much therefore depends on the future direction of the

pandemic, Government action and the response required from the Council.

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, was forecasting an in-year, deficit of £7.110m directly as a result of COVID-19. This would have a budgetary impact in 2021/22. The DSG continued to be an area which was facing a financial challenge with a revised, projected deficit of £4.559m at the end of the current financial year. Action was being taken with the aim of reducing the cumulative deficit and bringing the DSG towards a balanced position

With regard to the Capital position, the revised capital programme budget for 2020/21 was £81.013m at the close of Month 8, a net decrease of £66.619m from the original budget of £147.632m. Actual expenditure to 30 November 2020 was £50.566m (62.42% of the forecast outturn). It was probable that the forecast position would continue to change before the year end with additional re-profiling into future years. The Month 8 Revenue Monitor and the Capital Investment Programme 2020/21 report was presented to the Overview and Scrutiny Performance and Value for Money Select Committee on 28 January 2021 to accompany the suite of 2021/22 budget reports. The Select Committee was content to note the report and commend it to Cabinet for approval.

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 2020/21 at Month 8 being a £8.330m adverse variance having regard to the action being taken to manage expenditure be approved.
2. The forecast positions for the Dedicated Schools Grant, Housing Revenue Account and Collection Fund be approved.
3. The use of reserves as detailed in Appendix 1 to Annex 1 of the report be approved.
4. The revised capital programme for 2020/21 to 2024/25 at Month 8 as presented in Annex 2 of the report be approved.

COUNCIL TAX REDUCTION SCHEME 2021/22

Consideration was given to a report of the Director of Finance which set out the proposed Council Tax Reduction Scheme for 2021/22.

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 2021/22 scheme must be agreed by full Council in line with budget setting and no later than 10 March 2021. For Oldham, this required the Council to agree a revised 2020/21 scheme at the 4th March 2021 Council meeting. Any proposed change must be subject to prior consultation with the major preceptors and the public.

Since 2015/16 the Council's CTR scheme had 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.

There were no changes to the CTR scheme for 2020/21 and none are proposed for 2021/22.

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 - Reducing the maximum support to 82.5%

RESOLVED – That:

1. The Cabinet approved and commended to the Council the proposed Council Tax Reduction Scheme for 2021/22 which was unchanged from the 2020/21 scheme.
2. The financial position during 2021/22 would be reviewed to assess whether resources could be found to support additional Exceptional Hardship Payments to support those residents in most need in 2021/22 and to alleviate the impact of the loss of COVID Hardship Fund grant awards.

9

REVENUE BUDGET 2021/22 AND MEDIUM TERM FINANCIAL STRATEGY 2021/22 TO 2023/24

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 2021/22 together with forecast budget reduction requirement estimates for the period 2022/23 to 2023/24, having regard to the Provisional Local Government Finance Settlement published on 17 December 2020 and associated announcements and the subsequent Final Local Government Settlement approved on 10 February 2021 and the February 2021: COVID-19 Funding for Local Government in 2021 to 2022 Policy Paper.

The report set out proposals for the Council's Revenue Budget for 2021/22 and Medium Term Financial Strategy for 2021/22 to 2023/24. The report advised Members of the key financial challenges and issues which would be faced by the Council over the forecast period and set out the Administration's revenue budget proposals for 2021/22 together with updated budget

reduction requirement estimates for the period 2022/23 to 2023/24.

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 2021/22 and Medium Term Financial Strategy to 2023/24.

The report highlighted policy announcements and implications which arose from the Government's 2020 Spending Round published on 25 November 2020, Provisional Local Government Finance Settlement (LGFS) published on 17 December 2020 together with the complementary COVID Funding for Local Government in 2021/22 Consultative Policy Paper, Final Local Government Finance Settlement approved on 10 February 2021; and February 2021: COVID-19 Funding for Local Government in 2021 to 2022 Policy Paper.

The LGFS confirmed referendum limits for a general purpose Council Tax increase and the Government would permit rises of up to 2% per annum for 2021/22 without the need to hold a referendum. The Government also confirmed the continued ability to charge an Adult Social Care Precept allowing a combined increase of up to 3% in Council Tax across 2021/22 and 2022/23 (ringfenced for use for Adult Social Care). The Council Tax referendum limits for 2021/22 applicable to the Council therefore allow an overall increase of 4.99% without requiring a referendum.

Members were reminded that the Council Tax policy approved within the 2020/21 budget was that for 2020/21 Council Tax would revert to its previous position. The Council would therefore increase Council Tax by 2% for the Adult Social Care Precept (ASCP) and 1.99% for general purposes; an overall increase of 3.99%. The referendum limits for 2021/22 as advised above would permit this approach. However, 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 therefore proposed. Whilst the 2% increase in relation to the ASCP would continue, Council Tax for general purposes will increase by 0.99% rather than 1.99%. In overall terms the Oldham Council Tax would increase by 2.99%. The Council proposed to use the flexibility allowed to defer a further 1% in the ASCP to 2022/23. This is of course subject to confirmation at Budget Council on 4 March 2021. The Government proposed not to set Council Tax referendum principles for Mayoral Combined Authorities in 2021/22 but had set referendum principles for Police and Crime Commissioners (including the GM Mayor) capped at a value of £15. The Mayoral General precept (including Fire Services) had been kept at 2020/21 levels – with a Band D Council Tax Charge of £90.95. The Mayoral Police and Crime Commissioner Precept had increased by £10, giving a Band D Council Tax charge of £218.30

The Cabinet was informed that the report also advised of the proposal to leave the Council Tax Reduction Scheme for 2021/22 unchanged from 2020/21. However, during 2020/21,

working age Council Tax reduction recipients have benefitted from support of £150 from a Government Hardship fund. This scheme was not continuing in 2021/22 and it was recommended that the Council reviewed its financial position during 2021/22 to determine if it is able to provide any additional hardship relief. The starting point for preparing the 2021/22 revenue budget estimates was the Month 8 2020/21 revenue budget forecast outturn position and summarised in Section 8. It highlighted a current adverse projected variance for 2020/21 of £8.330m (including COVID pressures). A reduction in this overspend position was anticipated as a result of further funding being provided by Central Government and contributions from partners alongside management actions. However, it was important to note that if there was any remaining overspending at the end of 2020/21 then it would need to be funded by the use of reserves. Section 9 of the report detailed key budget adjustments and expenditure pressures underpinning the forecasts that provided the backdrop for the Council's Medium Term Financial Strategy including the mid-year adjustment to estimates from a budget reduction requirement of £23.251m to £29.940m (rounded to £30.000m). The major elements of this adjustment were addressing budget reduction proposals for 2020/21 (some approved in the budget for 2019/20) that could not be achieved (£2.089m), reduced treasury management income of £6.600m and an assumption that Flexible Use of Capital receipts at a value of £2.000m would support the budget. Since the mid-year budget review, there had been further changes to the estimates. Key expenditure adjustments following the mid-year review included:

- £0.441m for additional treasury management and education services pressures.
- £7.737m for pressures arising from COVID fully financed by Government grant.
- A net reduction of pressures of £2.777m due to:
 - a revision of estimates for the cost of financing capital expenditure (Investment Fund) at a reduction of £1.650m.
 - reducing the estimate for pay inflation (£1.017m).
 - releasing unallocated Development Fund resources of £0.825m but in effect using it to finance pressures relating to a contract with a third party supplier (£0.500m) and costs no longer chargeable to the Dedicated Schools Grant (£0.265m).
 - the release of £0.050m of resources that were previously allocated to support additional Coroners Service pressures identified through the 2020/21 Revenue Monitoring Process.
- £0.166m reduction in spending relating to a revision to assumed passported Adult Social Care precept and Parish Precepts.
- A net reduction in levies of £0.393m.

In relation to income, the report highlighted:

- A reduction in Central Government Business Rates Top Up Grant and Grants in Lieu of Business Rates at a combined value of £1.087m.
- £13.202m of increased Unringfenced Grant Funding, primarily £7.737m of COVID Grant, £3.183m Local Council Tax Support Grant and an increase of £1.993m for the Social Care Support Grant.
- A reduction in Locally Generated Retained Business Rates income of £0.364m.
- A reduction in the Council Tax Tax base (due to the impact of the increase in claimants of Council Tax Reduction resulting in a total reduction in Council Tax income of £2.597m from that expected of which £0.175m relates to ASCP that cannot be passported to the service

Section 9 also advised of a Collection Fund deficit that would be charged to the General Fund of £25.809m. Of this sum £0.353m related to an adjusted 2020/21 balance using flexibilities allowed by Central Government. The balance was a technical adjustment required to the budget as a result of the Collection Fund deficit caused by the Government introducing Business Rate reliefs for retail, leisure, hospitality and nursery businesses after the 2020/21 budget had been set. The estimated sum (the final figures would only be confirmed at the end of the financial year) was £25.456m. Government was paying the Council grant compensation for this loss of Business Rates income through 2020/21 and this would be carried forward as a reserve. This would then offset the Collection Fund deficit but had a significant impact on the overall use of reserves.

Based on the latest estimates, the budget reduction requirement for 2021/22 has decreased from the previously reported figure of £29.940m to £27.623m, increasing to £53.079m after the technical adjustment.

Section 10 of the report detailed the Administration's budget reduction proposals. There was a total of 43 proposals expected to deliver savings of £8.920m in 2021/22 (of which one was a use of reserves), leaving recurrent budget reductions of £8.793m. In 2021/22, if approved in full, those recurrent proposals further reduced the budget reduction requirement to £44.286m for 2021/22.

Sections 11 and 12 explained the approach to balancing the 2021/22 budget. Importantly, the budget strategy of using £29.000m of reserves to support the budget over a two year period (2021/22 and 2022/23) was outlined together with the use of the opportunities provided by the ability to use Capital Receipts to support spending on transformational projects up to a value of £2.000m in 2021/22. A number of specific and corporate reserves would be used to address the balance as follows:

- £25.456m of Section 31 grant received in 2020/21 held to support the Collection Fund Deficit in 2021/22 as a result of Business Rates relief for retail, leisure, nursery and hospitality businesses (a technical adjustment);
- £0.127m as a result of budget reduction proposal REF-BR1-432;

- £1.000m of 2020/21 Earmarked Reserves created as a result of the Local Tax Income Guarantee grant; and
- £15.703m of other reserves brought forward from 2019/20.

There was also a reserve held at a value of £12.297m to support the 2022/23 budget if required. Approval of the proposals set out in this report in full by Budget Council would deliver a balanced revenue budget for 2021/22.

Other key sections in the report:

- summarised the forecast reserves and balances position supporting the Council's financial resilience;
- set out the Administration's proposals in relation to Fees and Charges; and
- detailed the Council's Pay Policy Statement (as required by sections 38 to 43 of the Localism Act 2011).

The final section of the report set out the Council's MTFS covering the period 2021/22 to 2023/24, a shorter timeframe than is usual practice given the uncertainties created by COVID and the lack of clear direction Government funding intentions for future years. It was important to note that as the Government has only provided grant funding notifications for 2021/22, the MTFS estimates for 2022/23 to 2023/24 were based on a series of assumptions and therefore must be considered indicative at this stage. This has generated significant uncertainty and hindered effective planning by the Council both financially and operationally as future Government funding intentions are difficult to assess.

This position, together with the transformational and organisational plans for change that the Council would implement to address the financial challenge were outlined in Section 17 of the report.

After having addressed the £27.623m (adjusted for the technical Business Rates issue), the budget reduction requirement for subsequent years was forecast to be £31.900 m for 2022/23 and £21.849m for 2023/24.

The MTFS highlighted the plan to deliver significant savings from 2022/23 onwards. Whilst it was anticipated that the Council will continue to rely on the use of reserves to support the revenue budget in 2022/23 at a value of £12.297m, additional budget reductions were expected to be achieved as part of the Council's transformation programme.

Given the importance of delivering budget reductions and embedding the programme of transformational change, during 2021/22, there would be a regular review of the progress of existing change programmes against the delivery milestones and financial targets.

The Revenue Budget 2021/22 and Medium Term Financial Strategy 2021/22 to 2023/24 was presented to the Overview and Scrutiny Performance and Value for Money (PVFM) Select Committee for consultation and scrutiny on 28 January 2021.

The Select Committee scrutinised the budget report and the other reports on the agenda that form a core part of the Council's strategic financial planning framework. The Select Committee was content to commend the report to Cabinet without additional comment. It is important to note that the report

and financial information within it would continue to be revised as estimates are confirmed and external funding or charging notifications are received.



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 £8.920m 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 the Cabinet accepted and commended to Council:

1. The policy landscape and economic context in which the Council was setting its revenue budget for 2021/22 and Medium Term Financial Strategy to 2023/24;
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 2021/22 to 2023/24 having regard to the Final Local Government Finance Settlement and the February 2021: COVID-19 Funding for Local Government in 2021 to 2022 Policy Paper and associated funding announcements.
4. The key issues to be addressed in continuing to respond to the financial challenges facing the Council;
5. The proposal that the Council reviews its financial position during 2021/22 to determine if it was able to provide additional Council Tax hardship relief;
6. The reaffirmation of the Council's commitment to the modified Housing Benefits scheme, a discretionary local scheme which allows the Council to disregard the value of any War Disablement Pension or War Widows Pension over and above statutory disregard limits;
7. The recurrent 2021/22 Budget Reduction Proposals at a value of £8.793m;
8. Flexible Use of Capital Receipts at a value of £2.000m
9. The proposed use of £42.286m of reserves to balance the 2021/22 budget including £0.127m for a one off budget reduction;

10. The proposed use of £12.297m of reserves to support the 2022/23 budget;
11. The approach to managing the budget during the COVID pandemic and the continuation of budget management measures introduced in 2020/21 as outlined in Paragraphs 12.6 to 12.11;
12. The proposed fees and charges schedule included at Appendix 7;
13. The draft Pay policy statement included at Appendix 11;
14. A proposed Council Tax increase of 0.99% for Oldham Council General Purposes.
15. A proposed 2.00% increase for the Adult Social Care Precept for 2021/22 and a further 1.00% increase for 2022/23.
16. The specific 2021/22 charges set out at paragraph 15.3 and Table 29 of the report and in detail at Appendix 8;
17. The proposal to draw on the Collection Fund for major preceptors of £116.241m for Borough Wide services and £98.552m for Council services;
18. The proposed net revenue budget expenditure for 2021/22 for the Council set at £253.561m;
19. Revised estimated budget reduction targets of £31.900m for 2022/23 and £21.849m for 2023/24 before any use of reserves and indicative budget proposal.

10

HOUSING REVENUE ACCOUNT ESTIMATES FOR 2021/22 TO 2025/26 AND PROPOSED OUTTURN FOR 2020/21

Consideration was given to a report of the Director of Finance which set out the Housing Revenue Account (HRA) proposed 2021/22 original budget and the forecast outturn for 2020/21. The opportunity was also taken to present the provisional strategic budgets for 2022/23 through to 2025/26.

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 2020/21 was estimated to be a £1.384m positive variance when compared to the original budget forecast for 2020/21 approved at the Budget Council meeting, 26 February 2020. 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 2020/21 was projected at £19.614m.

The financial position for 2021/22 showed an estimated HRA closing balance of £17.463m which was sufficient to meet future operational commitments and the potential financial pressures identified in the risk assessment.

The 2021/22 position had been presented after allowing for an increase in dwelling rents of 1.5%, the increase in non-dwelling rents in line with individual contracts, the freezing of all service

charges and the setting of Extra Care Housing 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 ended on 31 March 2020. Since this date, Central Government has reverted to its pre-2015 guidance for the period 2020-2025 for all properties, confirming all rents are calculated based on the Consumer Price Index (CPI) rate at September of the preceding year plus 1%. All Oldham's budget projections for the 2021/22 budget will follow the rent setting guidance of CPI plus 1%, resulting in an increase of 1.5% (CPI is taken as at September 2020).

The financial projections for the HRA over the period 2020/21 to 2025/26 showed an overall reduction in the level of balances from £19.614m at the end of 2020/21 to £3.906m at the end of 2025/26.

This was because HRA resources were used to support several major approved housing capital projects including development within the town centre and on numerous smaller sites around the borough. There is also a commitment to purchase currently empty properties owned by private sector landlords to increase the number of Council owned housing stock.

Options/Alternatives considered

In order that the Council complied with legislative requirements it must consider and approve a Housing Revenue Account budget for 201/22.

Three options with regard to rent had been assessed.

1. proposed rent increase of 1.5%
2. proposed rent increase of 1.0%
3. rents to be frozen for 2021/22.

Compared to a 1.5% increase, the loss to the HRA for 2021/22 in terms of rental income would be £0.044m at a 1.0% rent increase and £0.131m with no rent increase.

The Cabinet was advised that, although losses in income for 2021/22 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 2020/21 (as per Appendix A)
2. Proposed HRA budget for 2021/22 (as per Appendix B)
3. Strategic estimates for 2021/22 to 2025/26 (as per Appendix D)

4. Proposed increase to dwelling rents for all properties of 1.5%.
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 concierge charges to fully recover actual costs

11

CAPITAL STRATEGY AND CAPITAL PROGRAMME 2021/22 TO 2025/26

Consideration was given to a report of the Director of Finance which set out the Capital Strategy for 2021/22 to 2025/26 and thereby the proposed 2021/22 capital programme, including identified capital investment priorities, together with the indicative capital programme for 2022/23 to 2025/26, having regard to the resources available over the life of the programme. The Council's Capital Strategy and Capital Programme were set over a five-year timeframe. The proposed Capital Strategy and Programme for 2021/22 to 2025/26 took the essential elements of the 2020/25 and previous years' strategies and programmes and moved them forward in the context of the financial and political environment for 2021/22.

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 2026/27 to 2035/36.

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

The Capital Strategy section (section 1) highlighted the impact of COVID-19 and the way this has shaped capital spending plans for 2021/22 and future years. During 2020/21, the COVID-19 pandemic has had a major impact on the borough, its residents and the economy. The financial year 2021/22 would

begin, at least, with a COVID-19 influence, however, it was expected, now that several vaccines were available, that normal activities will be resumed and the Councils capital spending plans which had inevitably been interrupted in 2020/21, can get back on track during 2021.

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 2021/22 revenue budget would rely on up to £2.000m of such funding from capital receipts. Annex D of the report set out the required Flexible Use of Capital Receipts Strategy which advised of the summary of planned receipts, use and savings
Capital Programme 2020/21 to 2024/25

Members were advised that the 2020/21 month 8 capital monitoring position was detailed at Item 7 of the agenda and the projections included in that report were a key determinant of the 2021/22 programme. As many schemes spanned more than one year, the anticipated level of reprofiling between years sets the underlying position. The projected outturn spending position for 2020/21 is £81.013m. The People and Place Directorate which managed all of the major regeneration projects, constituted the main area of expenditure. Grants and Other Contributions (£20.151m) followed by Prudential Borrowing provided the main source of financing (£53.553m). Actual expenditure to 30 November 2020 was £50.566m (62.24% of forecast outturn). This spending profile was in line with that in previous years, however the position would be kept under review and budgets will continue to be managed in accordance with forecasts.

Capital Programme 2021/22 to 2025/26

The Council has set out its capital programme for the period 2021/22 to 2025/26 based on the principles of the Capital Strategy. The Capital Programme and Capital Strategy have been influenced by the level of resources considered available. The level of prudential borrowing included reflected the financing available in the revenue budget, capital receipts aligned with forecasts and grant funding and other contributions were based on already notified allocations or best estimates at time of preparation. If additional resources became available, projects that met the Council's strategic capital objectives would be brought forward for approval. Due to the impact of the COVID-19 pandemic on a number of schemes, over the summer months the capital programme for 2020/21 was significantly re-phased. On 24 August 2020, Cabinet approved a revised vision and strategic framework for 'Creating a Better Place' which had associated with it, a significant level of investment. The revised vision placed more emphasis on economic recovery and accelerating the potential for generating revenue budget savings. The report was the culmination of a fundamental review of the programme which commenced in April 2020 close to the start of the pandemic. Following the review and in anticipation of the PWLB consultation outcome the Creating a Better Place Strategy was reduced by approximately £90.000m. As at the month 8 capital monitoring position, the anticipated expenditure over the five year life of the 2020/21 to 2024/25 strategy was £404.630m, taking 2020/21 aside (£81.013m) leaves

£323.617m for the remainder of the approved 2021/22 to 2024/25 capital programme. Following the refresh of existing strategies including Creating a Better Place, and moving forward the planning period by one year, the Capital Strategy for 2021/22 to 2025/26 totalled £341.102m. The capital programme included proposed expenditure for 2021/22 of £84.912m, with the largest area of expenditure being on regeneration, schools, transport and infrastructure projects within People and Place Directorate. Total expenditure increases to £94.765m in 2022/23, then decreases to £71.418m, £62.553m and £27.454m in 2023/24, 2024/25 and 2025/26 respectively.

The Government was continuing to provide significant levels of grant funding. The main sources of grant income are the Highway Maintenance Grant at £12.204m, along with Education-related Basic Need Capital grant provision of £10.677m over the life of the programme. There were also considerable resources allocated to the Council via the GMCA including the Mayors Cycling and Walking Challenge Fund (£11.273m in 2021/22).

The majority of capital Government Grant funding is unringfenced.

The 2021/22 capital programme relied on £12.071m of unringfenced and £22.508m of ringfenced grants. As in previous years, a major source of financing remained prudential borrowing. The amount required in 2021/22 (£42.871m) included borrowing attributed to schemes that had slipped from prior years as well as new borrowing associated with the regeneration programme. The timing of the borrowing was linked to the cash position of the Council and may therefore not mirror the spending/financing profile set out above.

There would be a continued review of capital spending requirements as the Council has further regeneration ambitions, but affordability and deliverability would be a key consideration in this regard, however, it was possible that the capital position could change prior to the start of 2021/22 and during the year as there may be further Government funding allocations announced prior to the start of 2021/22, new initiatives announced later in the financial year and the opportunity to bid for additional funding.

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

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

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 2021/22 to 2025/26 at Appendix 1 of the report and summarised at section 2.1.
2. The Capital Programme for 2020/21 and indicative programmes for 2022/23 to 2025/26 at Annex C of Appendix 1 and summarised at sections 2.2 to 2.6 of the report.
3. The Flexible Use of Capital Receipts Strategy as presented at Annex D of Appendix 1.

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**TREASURY MANAGEMENT STRATEGY STATEMENT
2021/22 INCLUDING THE MINIMUM REVENUE PROVISION
POLICY STATEMENT, ANNUAL INVESTMENT STRATEGY
AND PRUDENTIAL INDICATORS**

The Cabinet gave consideration to a report of the Director of Finance which presented the strategy for 2021/22 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 2021/22 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 2021/22.

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 21 January 2021. It was also presented to the Overview and Scrutiny Performance and Value for Money Select Committee on 28 January 2021. 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 of the report.
2. Minimum Revenue Provision policy and method of calculation as per Appendix 1 of the report.
3. Capital Financing Requirement (CFR) Projections as per paragraph 2.2.4 of the report.
4. Projected treasury position as at 31 March 2020 as per paragraph 2.3.3 of the report.
5. Treasury Limits as per section 2.4 of the report.
6. Borrowing Strategy for 2021/22 as per section 2.6 of the report.
7. Annual Investment Strategy as per section 2.10 including risk management and the creditworthiness policy at section 2.11 of the report.
8. The level of investment in specified and non-specified investments detailed at Appendix 5 of the report.

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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 2021/22 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. There had been several reports issued on the subject of the financial resilience of Local Authorities alongside the publication by the Chartered Institute of Public Finance & Accountancy (CIPFA) of a Local Authority Financial Resilience Index and the implementation of a Financial Management Code. These issues were highlighted in Section 5 of the report but were largely prompted by the financial challenges at Northamptonshire County Council during 2018 followed by both Nottingham City Council (NCC) and the London Borough of Croydon Council (LBC) in 2020 and the raising of significant concerns about the financial stability of other Local Authorities. On 10 February it was announced that four other Councils were to be provided with financial support by the Ministry of Housing, Communities and Local Government (MHCLG) in the form of a capitalisation direction. This was to ensure that they are able to set a balanced budget for 2021/22

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 £32.945m had been used to underpin the Council's revenue budget. For 2021/22, there was a proposed use of reserves of £10.008m combined with a number of one-off measures totalling £5.150m.

Included within the Medium Term Financial Strategy was the required use of reserves of £29.000m over the next two financial years. For 2021/22, it was proposed to use corporate reserves of £16.703m and specific reserves of £0.127m together with £25.456m to offset the Collection Fund deficit arising from the awarding of business rates reliefs in 2020/21 (this is a technical accounting adjustment) combined with one-off measures totalling £2.000m. The remaining corporate Balancing Budget reserve of £12.297m would be used to support 2022/23

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 2021/22 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 2019/20 the Council had made proper arrangements to deliver financial sustainability in the medium term. However, it was also pointed out that "The

Council had significant levels of Earmarked Reserves as at 31 March 2020, but these were not sufficient to sustain the Council's financial position over the medium term". It was important to note that the public findings into both Nottinghamshire City Council and London Borough of Croydon (LBC) indicated Councils were at risk of not being able to agree balanced budgets as their reserves were insufficient to mitigate either in year or 2021/22 estimated shortfalls in resources. LBC is still awaiting a response to its request for support from the MHCLG.

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 2020 and it was proposed to action the same review again in 2021/22 after the closure of the accounts for 2020//21.

Whilst the Council was utilising a number of reserves to support the 2021/22 revenue budget, and anticipated a use of reserves in 2022/23, 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.

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

1. The proposed General Fund Balance currently calculated for 2021/22 at £15.641m.
2. The initial estimate of General Fund Balances to support the Medium Term Financial Strategy is as follows:
 - £17.349m for 2022/23 and
 - £18.602m for the years 2023/24
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 of the report.
5. The actions necessary to ensure the prudence of the capital investments as noted in Section 4 of the report.

The meeting started at 6.00pm and ended at 18.42