

# Public Document Pack

**CABINET**  
**11/02/2016 at 6.00 pm**

**Present:** Councillors Stretton (Chair)  
Councillors Akhtar, Brownridge, Jabbar and Shah

1 **APOLOGIES FOR ABSENCE**

Apologies for absence were received from Councillors Harrison and Hibbert.

2 **URGENT BUSINESS**

There were no items of urgent business received.

3 **DECLARATIONS OF INTEREST**

Councillors Jabbar declared a personal interest in Item 13 by virtue of his appointment by Full Council to the Unity Partnership Ltd - JVCo Board and Councillor Stretton declared a personal interest in Item 13 by virtue of her appointment by Full Council to the Unity Partnership Ltd.

4 **PUBLIC QUESTION TIME**

There were no public questions received.

5 **DRAFT PERFORMANCE AND VALUE FOR MONEY  
SELECT COMMITTEE MINUTES - ADMINISTRATION  
BUDGET PROPOSALS 21ST JANUARY 2016**

RESOLVED – That the deliberations and comments of the Performance and Value for Money Committee held on the 21<sup>st</sup> January 2016 be noted.

6 **DRAFT PERFORMANCE AND VALUE FOR MONEY  
SELECT COMMITTEE MINUTES - OPPOSITION BUDGET  
PROPOSALS 2ND FEBRUARY 2016**

RESOLVED – That the deliberations and comments of the Performance and Value for Money Committee held on the 2<sup>nd</sup> February 2016 be noted.

7 **REVENUE MONITOR 2015/16 MONTH 8 – NOVEMBER  
2015**

The Cabinet gave consideration to a report of the Director of Finance which provided Members with an update on the Council's 2015/16 revenue budget position forecast for the year end, for month 8.

It was reported that the current position for 2015/16 was a projected underspend of £445k following Cabinet approval of reserve transfers as detailed at Section 7 and Appendix 2 of the report.

The current position was in accordance with the Council's normal practice of setting the budget and the Council would move to a balanced position by the end of the financial year. Options/Alternatives considered

Option 1 – Not to approve the forecast outturn projection and use of reserves included in the report.

Option 2 – To approve some of the forecast outturn projection and use of reserves included in the report.

Option 3 – Approval of the forecast outturn projection and use of reserves included in the report.

RESOLVED – That:

1. The forecast position of the end of Month 8 being a projected underspend of £445k be approved.
2. The forecast positions for both the Housing Revenue Account and Collection Fund be approved.
3. The use of reserves as detailed at section 7 of the report be approved.

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## **CAPITAL INVESTMENT PROGRAMME 2015/16**

Consideration was given to a report of the Director of Finance, which sought to provide the Cabinet with details of the financial position of the Capital Programme at the end on Month 8 2015/16.

It was reported that since month 6, appropriate approvals had been made under delegated powers together with other approved amendments in month 7. It had reduced the revised budget total by £5.098m; further virements pending approval for month 8 reduced the forecast by a further £1.755m to a projected £78.358.

The current project managers forecast outturn position for 2015/16 predicted expenditure of £78.354m, a movement of £6.749m from the last reported forecast position at month 6 and a slight net reduction of £0.004m from the revised budget position. The majority of this small reduction would be re-profiled into later years. The annual review of the capital programme had recently been completed, having identified 3.021m of resources that could be released for reallocation to other projects.

Options/Alternatives considered

Option 1 - To approve all the changes included in the report.

Option 2 - To approve some of the changes included in the report.

Option 3 - Not to approve any of the changes included in the report

RESOLVED - That:

1. The revised capital budget for 2015/16 at the end of month 8 be approved.
2. The proposed budget movements detailed in Appendix G to the report be approved.
3. The outcome of the 2015/16 Annual Review of the Capital Programme detailed in appendix H be approved.

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

The Cabinet gave consideration to a report of the Director of Finance (Chief Financial) that was prepared in accordance with

Section 25 of the Local Government Act 2003 to report on the robustness of the estimates made for the purposes of the budget calculations and the adequacy of the proposed reserves. The report provided information to address this requirement and also included the Director of Finance's consideration of the affordability and prudence of capital investment proposals. It was reported that Members could be assured that the Council continued to be well placed to meet the challenging financial future facing Local Authorities and that the Council was preparing a two year revenue budget within a five year Medium Term Financial Strategy (MTFS), a five year approved capital programme and an early closure of accounts.

This would allow early focus on the coming challenges and a robust financial transformation programme.

Options/Alternatives considered

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

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

RESOLVED – That:

1. The General Balances currently calculated for 2016/17 at £18,557k financed by an element of the underspend reported for the financial year 2015/16 be approved
2. The initial estimate of General Balances to support the 2017/18 and 2018/19 budgets are amounts of £18,393k and £18,143k reflecting the budgetary challenges for these financial years be noted.
3. Submission of the intended report to the Audit Committee at the financial year-end 2015/16 to ensure the Council reserves were subject to appropriate scrutiny, be noted.
4. The actions necessary to secure a properly balanced budget as noted in paragraph 3.5 be approved.
5. The actions necessary to ensure the prudence of the capital investments as noted in paragraph 4.4 be approved.
6. That the report be commended to Council for approval.

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## **CAPITAL STRATEGY AND CAPITAL PROGRAMME 2016/21**

The Cabinet gave consideration to a report of the Director of Finance which set out the Capital Strategy for 2016/17 to 2020/2021 and thereby the proposed 2016/17 Capital Programme, including identified capital investment priorities together with the indicative capital programme for 2017/21 having regard to the resources available.

It was reported that the Council's Capital Strategy and Programme had been set over a five year timeframe. The

proposed Capital Strategy and Capital Programme for 2016/17 to 2020/2021 had taken the essential elements of previous capital strategies. It was further reported that the regeneration programme was the main focus of Council spending although there had been significant resource allocations for schools and transport expenditure.

Members were advised, the Council had been successful in some bids for Government funding which had helped to support the highways and transport capital programme but the Government has yet to confirm how much resource would be received to support the renewal of Royton and Crompton school. The 2016/21 Capital Strategy took into account local issues, but importantly, the increase and change in the nature of Government funding and the continued uncertainty about the level of funding in future years.

It has been prepared around 16 key principles and also incorporated areas for potential future investment, subject to the availability of resources. The Council's aim was to maximise the use of the available resources and to undertake targeted investment in priority projects.

In overall terms, the Capital Programme included proposed expenditure for 2016/17 of £80.043m, with the largest area of expenditure allocated to the development and infrastructure projects within the Economy and Skills Directorate. Expenditure would be reduced slightly to £78.009m in 2017/18 and reduced further over the final years of the programme. In total, over 5 years, the planned spending was £172.625m.

The main sources of funding were prudential borrowing and Government grants. The revenue consequences of the prudential borrowing were included within the revenue budget projections.

As the Council was awaiting notification of new allocations of Government funding, it was likely that the capital position would change. Therefore the overall Capital Programme position would be kept under review and any new information about funding allocations would be presented to Members as soon as possible.

The Capital Strategy needed to align with the Medium Term Property Strategy which was currently being updated to reflect the most recent service transformation changes and financial challenges.

Options/Alternatives considered

Members had the option to revise the proposed Capital Strategy and Capital Programme and suggest an alternative approach to capital investment including the revision of capital priority areas.

RESOLVED – That:

1. The Capital Strategy for 2016/21 at Appendix 1 of the report and summarised in Section 2.1 of the report be approved.
2. The Capital Programme for 2016/17 and indicative programmes for 2017/18 to 2020/21 as set out in Section 2.2 and Annex C of Appendix 1 to the report be approved.
3. That the report be commended to Council for approval.

**TREASURY MANAGEMENT STRATEGY STATEMENT  
2016/17 INCLUDING MINIMUM REVENUE PROVISION  
POLICY STATEMENT, ANNUAL INVESTMENT STRATEGY  
AND PRUDENTIAL INDICATORS**

Consideration was given to a report of the Director of Finance that outlined the Treasury Management Strategy 2016/17 including Prudential Indicators, the annual Investment Strategy and the Minimum Revenue Provision policy.

It was reported that the strategy for 2016/17 covered two main areas, capital issues and treasury management issues and the report therefore outlined the implications and key factors in relation to each of the two main areas.

It was reported that the Prudential Code, which was a key element of the statutory and regulatory framework, set out the prudential indicators and ratios that the Council must calculate and report on. The aim of the prudential indicators was to ensure that the Council's capital plans were affordable, prudent and sustainable.

All the indicators were set out in the report and demonstrated a satisfactory position.

Options/Alternatives considered

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

Therefore no options/alternatives were considered.

RESOLVED – That:

1. The Capital Financing Requirement (CFR) Projections as per paragraph 2.2.3 of the report be approved.
2. The Minimum Revenue Provision policy and method of calculation as per section 2.3 of the report be approved.
3. The projected treasury position as at 31/03/2016 as per paragraph 2.5.3.of the report be approved.
4. The treasury Limits for 2016/17 to 2018/19 as detailed in sections 2.6.2 and 2.6.3 be approved.
5. The Borrowing Strategy for 2016/17 as per section 2.9 of the report be approved.
6. Limits to interest rate exposures as set out in section 2.10.2 of the report be approved.
7. The upper and lower limits on fixed rate debt maturity structure as set out in Section 2.10.3 of the report be approved.
8. The Annual Investment Strategy as per section 2.14 including the investment credit rating criteria and the level of investment in non-specified investments be approved.
9. That the report be commended to Council for approval.

**HOUSING REVENUE ACCOUNT ESTIMATES FOR 2015/16  
TO 2020/21**

The Cabinet gave consideration to a report of the Director of Finance which set out the latest Housing Revenue Account (HRA) outturn estimate for 2015/16, the detailed budget for 2016/17 and strategic estimates for the three years 2017/18 through to 2020/21. The report also set out the recommended dwelling and non-dwelling rents and service charges increases to be applied from April 2016.

It was reported that after taking all relevant issues into account, the projected financial position for 2015/16 was estimated to be a £0.350m adverse variance when compared to the original forecast made in February 2015.

Cabinet was advised that with regard to rent setting and therefore the HRA budget for 2016/17, the report had been prepared based on the best understanding of the Welfare Reform and Housing Bill which was moving through the Parliamentary stages. The result of this was that tenants within non-supported housing accommodation would be subject to a 1% rent decrease for a 4 year period consistent with announcements of Government in July 2015, but tenants in supported housing would be subject to a rent increase of CPI at September 2015 plus 1% (an increase of 0.9%).

This position was different than that which had been presented to the Overview and Scrutiny Performance and Value Select Committee at its meeting on 21 January 2015 as the proposed legislation had changed in the intervening period due to strong lobbying. At that meeting, the HRA budget report had been prepared on the basis of a 1% rent reduction (for a four year period) for all Oldham HRA accommodation.

The position as at Monday 11<sup>th</sup> February 2016 was that it was now expected that all supported housing and PFI properties would be exempt from the four year rent reduction period. All of Oldham's current housing stock was contained within 2 PFI schemes and all would therefore be exempt from the decrease. This amendment was to be included in secondary legislation coming into force before 1 April 2016. The report to Council would be prepared on this basis.

This position was outside the control of the Council as the changes are being made by Government. It is regrettable that this was so late in the process.

It was reported that as a consequence the recommendations of the report required amendment so there was clarity about the rent proposals as this was different to that included in the report before Cabinet.

Options/Alternatives considered

In order that the Council complied with legislative requirements, it must consider and approve an HRA budget for 2016/17. The changes as presented at the meeting were considered.

**RESOLVED** – That further to the amended recommendations presented to Cabinet:

1. The forecast HRA out-turn for 2015/16 be approved.
2. The proposed HRA budget for 2016/17 (as per Appendix E) be approved.
3. The strategic estimates for 2017/18 to 2020/21 (as per Appendix E) be approved.

4. The proposed increase to dwelling rents for all properties of 0.9% be approved.
5. The proposed increase to non-dwelling rents of 1% be approved.
6. The proposed increase to PFI 2 service charges to continue on previously approved transitional arrangements
7. The proposed increase to PFI 4 service charges to be based on a review of the actual charges incurred.
8. That the report be commended to Council for approval.

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## **BUDGET REPORT 2016/17**

Consideration was given to a report of the Director of Finance which provided the Cabinet with the current Administration's Budget Report and budget proposals for 2016/17 having regard to the impact of the Provisional Local Government Finance Settlement (PLGFS) and other financial issues.

The budget report followed those presented to and approved by Cabinet last October 2015 and November 2015 which revised the budget gap for 2016/17 and presented Tranche 1 and Tranche 2 budget reduction proposals.

Before Christmas the Council had been able to agree a total of £10.967m of budget proposals towards bridging the revised 2016/17 budget gap.

This report presents to Cabinet:

- the updated budget position after the receipt of the Provisional Local Government Finance Settlement; and
- the final tranche of the Administration's budget reduction proposals totaling £5.077m

The Provisional Settlement was received on 17 December 2015 and allowed the budget projections to be updated with actual Government grant notifications rather than assumptions.

On Monday 8<sup>th</sup> February 2016, after the issue of the Cabinet papers, we received the Final Settlement. This has confirmed all the funding notifications included with the Provisional Settlement. Additional grant funding notifications were also received but as the Council had not received confirmation of all final levy notifications, the budget could not yet be finalised. All of the updated and revised information would be included in the Council report to be issued on the 16<sup>th</sup> February 2016.

The Settlement figures contained some important details which had been used to update the 2016/17 budget strategy:

- Firstly it included Government funding figures for 4 years rather than the one year that had been anticipate and whilst years 2 to 4 were indicative at this stage, it would assist in the medium term planning processes
- Secondly, a more favourable grant funding allocation had been received as the Government has reallocated resources to benefit Councils like Oldham with a low Council Tax taxbase and Adults Social Care and Children's Services responsibilities. Whilst this is helpful it was estimated that £12.8m of unringfenced Government grant had been withdrawn between 2015/16 and 2016/17.

- Thirdly, Council Tax Freeze Grant has been discontinued and the Settlement introduced the concept of Core Spending Power which has been used by the Government to assess the Council's spending and resourcing. This assumed that all Councils would increase Council Tax by 1.75% and that a 2% Council Tax Social Care precept would be charged to support the increased costs of Adult Social Care.

Due to the assumptions above it was recommended that Council Tax policy would change and as Council Tax Freeze Grant was no longer an option, an increase of Council Tax for general purposes of 1.7% (slightly below that expected by Central Government) was proposed.

In addition, considerable funding pressures were being experienced in Adult Social Care including the requirement to address increases in the National Living Wage as introduced by the Government. As a consequence, the anticipated cost of addressing these pressures for 2016/17 had been reassessed at £2.7m. It was therefore recommended that the 2% Adult Social Care Precept is introduced to finance this additional cost. The 2% precept will only raise £1.515m towards this £2.7m extra cost. The general increase in Council Tax of 1.7% would generate sufficient resources to finance this remaining cost pressure.

Taking into account revised funding assumptions and revisions to Council estimates of existing budget pressures; it had increased net resources available. There was therefore no longer the requirement to address the £1.955m remaining budget reduction target for which no proposals had been prepared in anticipation of the outcome of the Settlement, and the Council was able to address budget resilience issues which previously had no permanent solution.

All of the remaining £5.077m of budget reduction proposals (final tranche) included within this report were presented for scrutiny at the Overview and Scrutiny Performance and Value for Money (PVFM) Select Committee on 21 January 2016. The Select Committee was content to commend all for consideration and approval by Cabinet.

Assuming all the remaining budget proposals were approved with no further changes, the 2016/17 budget could be balanced. Any final amendments would be included in the budget report to Council on 24 February 2016.

Option Alternatives Considered

Option 1 – Cabinet could approve the budget position, Council Tax proposals and all the budget reduction proposals included in this report to the value of £5.077m and commend this to Council.

Option 2 – Cabinet could make comments on the proposals/information included in this report and request amendments to the budget proposals/revised resource allocations/Council Tax proposals outlined in this paper prior to commending the report

RESOLVED – That:

1. The following recommendations be approved:



- a. The Revised budget position for 2016/17 having regard to the Provisional Local Government Finance Settlement.
  - b. The Net revenue budget for 2016/17 for the Council set at £190.159m (subject to there being no further changes arising from the Final Local Government Finance Settlement and Levy notifications).
  - c. A Council Tax increase of a total of 3.7% resulting in charges as set out in Appendix 8
  - d. The total draw on the Collection Fund for major preceptors of £90.336m for Borough Wide services and £78.588m for Council services (subject to confirmation from preceptors).
  - e. The remaining Tranche 1 budget reduction proposals now that all public consultation stages have been completed (presented in summary at Appendix 1 and in detail at Appendix 2) in the sum of £1.193m.
  - f. The remaining Tranche 2 budget reduction proposals now that all consultation stages have been completed (presented in summary at Appendix 3 and in detail at Appendix 4) in the sum of £1.244m.
  - g. The Tranche 3 budget reduction proposals (presented in summary at Appendix 5 and in detail at Appendix 6) in the sum of £2.640m.
  - h. The information contained within the Equality Impact Assessments also included in Appendices 2, 4 and 6 supporting Tranches 1, 2 and 3.
  - i. The revised budget reduction target for 2017/18 of £20.551m.
  - j. The Fees and Charges schedules at Appendix 9 of the report
  - k. The Pay Policy Statement at Appendix 10 of the report.
2. That all the recommendations within the report be agreed and commended to Council.
  3. That Cabinet noted there was no requirement to hold a referendum on the change to the relevant basic amount of Council Tax
  4. That Cabinet noted the savings target for 2017/18 may need to change as a result of developments during 2016/17.

## **MEDIUM TERM FINANCIAL STRATEGY 2016/17 TO 2020/21**

The Cabinet gave consideration to a report of the Director of Finance which presented the Medium Term Financial Strategy (MTFS) financial years 2016/17 to 2020/21 having regard for the uncertainties around a number of issues including the level of reduction in future funding from Central Government and the consequential changes required from the Council.

It was reported that based on current information and assumptions, trends and demand pressures the Council would

continue to be required to make considerable revenue budget changes over the MTFS period 2016/17 to 2020/21. The budget for 2016/17 was now balanced after the identification of £16.044m of budget reduction proposals.

Current estimates of savings required for 2017/18 would be £20.551m and that over the period 2017/18 to 2020/21 the total budget reduction target would be £66.757m.

The MTFS was subject to scrutiny at the Overview and Scrutiny Performance and Value for Money Select Committee on 21 January 2016. The Committee was content to recommend the MTFS to Cabinet.

Options/Alternatives considered

Option 1 – Adopt the Medium Term Financial Strategy 2016/17 to 2020/21

Option 2 – Allow the existing Medium Term Financial Strategy to remain unchanged.

RESOLVED – That:

1. The Medium Term Financial Strategy 2016/17 to 2020/21 be approved.
2. That the report be commended to Council for approval.

The meeting started at 6.00 pm and ended at 6.36 pm