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CABINET

20/02/2017 at 6.00 pm



Oldham
Council

Present: Councillor Stretton (Chair)
Councillors Akhtar, Brownridge, Chadderton, Harrison,
F Hussain, Jabbar and Moores

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**

Councillor Harrison declared a personal interest at Item 8 of the agenda by virtue of her Council appointment to the Miocare and Support Board and Councillors Jabbar and Stretton declared a personal interest at Items 8 by virtue of their Council appointments to the Unity Partnership Board.

4 **PUBLIC QUESTION TIME**

There were no public questions received.

5 **DRAFT PERFORMANCE AND VALUE FOR MONEY
SELECT COMMITTEE MINUTES - ADMINISTRATION
BUDGET PROPOSALS 26TH JANUARY 2017**

RESOLVED – That the deliberations and comments of the Performance and Value for Money Select Committee held on the 26th January 2017 be noted.

6 **DRAFT PERFORMANCE AND VALUE FOR MONEY
SELECT COMMITTEE MINUTES - OPPOSITION BUDGET
PROPOSALS 7TH FEBRUARY 2017**

RESOLVED – That the deliberations and comments of the Performance and Value for Money Select Committee held on 7th February 2017 be noted.

7 **REVENUE MONITOR AND CAPITAL INVESTMENT
PROGRAMME 2016/17 MONTH 8 – NOVEMBER 2016**

The Cabinet gave consideration to a report of the Director of Finance which provided Members with an update on the Council's 2016/17 revenue budget position and the financial position of the capital programme as at 30 November 2016, together with the revised capital programme 2016/21 as outlined at Section 2, Annexe 2 to the report.

Revenue Position

The current forecast outturn position for 2016/17 was a projected favourable variance of £0.060m after allowing for approved and pending transfers to and from reserves. There were 2 portfolios: Health and Wellbeing and Economy, Skills and Neighbourhoods with adverse variances, the most significant being that of Adult Social Care within Health and Wellbeing, a demand led service that was under pressure to deliver within the current budget allocation.

Capital Position

The most up to date capital spending proposals for 2016/21 were provided to Members including the current forecast outturn position of £53.685m compared to the original budget of £80.544m and revised budget of £69.597m. Actual expenditure to 30 November 2016 was £27.846m (51.9% of forecast outturn).

It was reported that at this stage in the financial year, the forecast position remained uncertain and it was expected this would continue to change. Additionally reprofiling was possible as schemes progressed from development through to delivery.

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 2016/17 at Month 8 being a £0.060m under spend be approved.
2. The forecast positions for both the Housing Revenue Account and Collection Fund as detailed within the report 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 2016/21 as at 30 November 2016 be approved.
5. The Capital Programme virements and re-phasing detailed in Annex 2, Appendix F be approved.

8

COUNCIL BUDGET 2017/18 AND MEDIUM TERM FINANCIAL STRATEGY 2017/18 TO 2020/21 – POLICY LANDSCAPE, LOCAL GOVERNMENT FINANCE SETTLEMENT AND FORECAST BUDGET GAP UPDATE

8A

Consideration was given to a report of the Director of Finance which provided the Cabinet with an update regarding the Local Government Finance Settlement published on 15th December 2016 and set out the position with regard to the Council's forecast budget gap for 2017/18 to 2020/21.

The report provided details of the key financial challenges and issues that the Council would confront over the period 2017/18 to 2020/21 covered by the Medium Term Financial Strategy (MTFS).

The report included an update on the national and regional policy landscape within which the council operated including a summary of the economic outlook published alongside the most recent Autumn Statement of 23 November 2016, details of proposed major changes to the Local Government Finance regime with the future introduction of 100% business rates retention and charges relating to education and early years funding.

Section 10 of the report included details of the Provisional Local Government Finance Settlement published on the 15th

December 2016, (the final settlement was yet to be announced), together with details of any specific funding announcements published since the previous update report to Council on the 14th December 2016.

Following the approval of phase 1 budget reductions proposals presented to Council on the 14th December 2016, the budget gap position for 2017/18 was reported to have reduced from £20.315m to £14.168m and reduced to a cumulative £28.285m for 2018/19, £39.456m for 2019/20 and £48.094m for 2020/21. A review of all estimates and assumptions underpinning the forecasts had also been carried out to take account of the latest reported outturn position for 2016/17 and any developments that had occurred since the previous report to Council on 14th December 2016. As a result, the remaining budget gap for 2017/18 was now being reported to be £8.834 rising cumulatively to £24.080m for 2018/19, £31.289m for 2019/20 and £40.715m for 2020/2021.

The updated figures provided the starting point for the development, consideration and approval of a balanced budget for 2017/18 and revisions to the budget gap estimates for the remainder of the forecasting period.

The plans to pilot full business rates retention within Greater Manchester carried implications for some of the grant allocations notified in and alongside the Provisional Local Government Finance Settlement. This had resulted in some presentational changes to the budget estimates and the detail was explained at section 10.17 of the report.

It was further reported that any amendments to the budget arising from the final Local Government Settlement would be included in the report to Council.

Options /Alternatives considered

Option 1 – To accept the assumptions and resulting financial forecasts presented at Section 14 and Appendix 3 to the report.

Option 2 – To propose amendments to the assumptions that would change the resulting budget gap and financial forecasts.

RESOLVED – That:

1. The national and regional policy landscape as described in Section 3 of the report determining the context in which the Council is setting its revenue budget for 2017/18 and medium term financial strategy to 2020/21 be approved and commended to Council.
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 as set out in Section 4 of the report be approved and commended to Council.
3. The financial forecasts for 2017/18 to 2020/21 having regard to the Provisional Local Government Finance Settlement and associated funding announcements resulting in budget gap estimates of £8.834m for 2017/18 rising cumulatively to £24.080m for 2018/19, £31.289m for 2019/20 and £40.715m for 2020/21 be approved and commended to Council.

4. The key issues to be addressed in continuing to respond to the financial challenges facing the Council be noted and commended to Council.



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Consideration was given to a report of the Director of Finance which presented to the Cabinet the current Administration's budget and budget proposals for 2017/18 together with the revised budget gap estimates for the period 2018/19 to 2020/21, having regard to the impact of all the issues set out in the Policy Landscape as detailed at Item 8A of the agenda.

This budget report followed the package of budget reductions with a value of £6.147m presented to and approved by Council on the 14th December 2016.

Further revisions to estimates and the publication of the Provisional Local Government Finance Settlement meant that the remaining budget gap for 2017/18 was now reported as £8.834m, rising cumulatively to £24.080m for 2018/19, £31.289m for 2019/20 and £40.715m for 2020/21 prior to the consideration of further measures and budget reduction proposals.

To balance the revenue budget position for 2017/18 this report presented:

- Two Phase 1 budget reduction proposals at a value of £0.400m in 2017/18 that were previously considered by the Performance and Value for Money Select Committee (PVFM) on 10th November 2016 and noted by Cabinet on 5th December 2016 pending the outcome of staff consultation which closed on 23rd December 2016. The proposals, CEX-TRN-001 Executive Support Redesign and CCS-TRN-046 Business Support – Restructure & Transformation had an FTE impact of 12.17 and were presented in summary at Appendix 1 and in detail at Appendix 2 of the report.
- A combined proposal replacing three Phase 1 budget reduction proposals at a value of £0.185m in 2017/18 that were previously considered by the PVFM Select Committee on 10th November and deferred by Cabinet on 5th December 2016. The revised 'combined' proposal had a nil FTE impact and was considered by the PVFM Select Committee on 26 January 2017. This proposal is presented in summary at Appendix 3 and in detail at Appendix 4 of the report.
- Thirteen Phase 2 budget reduction proposals at a value of £2.766m in 2017/18 (presented in summary at Appendix 5 and in detail at Appendix 6) that were also considered by PVFM Select Committee on 26th January 2017. Of the Phase 2 proposals presented, CCS-TRN-071 (Internal Services Redesign) is the only one to carry any staffing implications with a FTE impact of 12;
- A proposed £5.483m contribution from earmarked reserves to balance the budget;
- A proposed 3.99% Council Tax Increase for Oldham Council Services comprising a 2% increase relating to the

Adult Social Care Precept and 1.99% for other Council services.

It was reported that if the proposals were accepted in full then the revised budget reduction targets for future years were £20.755m for 2018/19, then cumulatively £27.964m for 2019/20 and £37.390m for 2020/21.

The report also included the schedule of Fees and Charges for 2017/18, the Pay Policy Statement 2017/18 and the impact of decisions of precepting authorities and revised budget gap estimates for 2018/19 to 2020/21.

The proposals to pilot full business rates retention within Greater Manchester carried implications for some of the grant allocations notified in and alongside the Provisional Local Government Finance Settlement. This had resulted in some presentational changes to the budget estimates and the detail was explained at section 10.17 of the report.

It was further reported that any amendments to the budget arising from the final Local Government Settlement would be included in the report to Council on the 1st March 2017.

The report had been presented to the Performance and Value for Money Select Committee on the 26th January 2017 and the Committee commended the report to Cabinet.

Following consideration of the Opposition Budget proposals on the 7th February 2017 the Select Committee made three recommendations for the Cabinet to consider:

1. There should continue to be robust monitoring of the Capital Programme. Members were advised that robust monitoring of the Capital Programme was already undertaken with quarterly reports being submitted to the Cabinet and oversight of the programme was undertaken by relevant Cabinet Members through the Capital Investment Programme Board.
2. To consider the savings proposals of £0.060m with regard to Communications and Marketing and the Strategic Partnerships and Policy teams with a corresponding investment in the Enhanced Targeted Youth Service Team. Members were advised that sufficient savings had already been taken from the budget and that valuable work was undertaken by both the Policy and Communications teams.
3. The consideration of proposals put forward for 2018/19 in relation to highway advertising, street lighting and bus lane enforcement. Members were advised that those proposals would be considered within the 2018/19 budget setting process.

Options/Alternatives considered

Option 1 – Cabinet could approve and commend to Council all the phase 1 deferred, phase 1 noted and phase 2 budget reduction proposals included in this report to the value of £3.351m in addition to the use of reserves and balances as well as Council Tax and Adult Social Care Precept increases and consider the comments from the Performance and Value Select Committee of the 7th February 2017.

Option 2 – Cabinet requests that further work is undertaken on some or all of the budget proposals and the approach to

reserves and balances and Cabinet considers a revised position.



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RESOLVED – That:

1. The Cabinet approved and commended to Council:
 - a) The two Phase 1 budget reduction proposals (Executive Support Redesign - CEX-TRN- 001 (£0.100m) & Business Support – Restructure and Transformation – CCS-TRN-046 (£0.300m)) previously noted by Cabinet, now that the staff consultation has concluded;
 - b) The revised proposal (HWB-TRN-073 – Shared Services – Collaborative approach with neighbouring authorities) that replaced three Phase 1 budget reduction proposals at a value of £0.185m that were deferred by Cabinet on 5 December 2016 (presented in summary at Appendix 3 and in detail at Appendix 4 of the report);
 - c) Phase 2 budget reduction proposals at a value of £2.766m for 2017/18 and £2.740m per annum in subsequent financial years (presented in summary at Appendix 5 and in detail at Appendix 6 of the report)
 - d) The proposed use of £5.483m of corporate reserves to balance the 2017/18 budget;
 - e) The fees and charges schedule for 2017/18 included at Appendix 7 of the report.
 - f) The pay policy statement included at Appendix 8 of the report.
 - g) A proposed Council Tax increase of 3.99% resulting in the charges set out at paragraph 8.2 and Table 8 of the report.
 - h) The proposal to draw on the Collection Fund for major preceptors of £94.933m for Borough Wide services and £82.473m for Council services.
 - i) The proposed net revenue budget for 2017/18 for the Council set at £209.868m as shown at Appendix 9;
 - j) Revised budget reduction targets of £20.755m for 2018/19, then cumulatively at £27.964m for 2019/20 and £37.390m for 2020/21.
2. The Cabinet noted:
 - a) The comments of the Performance and Value for Money Select Committee in relation to the Opposition budget at the meeting held on the 7th February 2017 and summarised at paragraph 2.18 of the report. Robust monitoring of the Capital Programme was undertaken, sufficient savings had already been made from the Communications and Marketing and Strategic Partnerships and Policy teams and the consideration of proposals put forward for 2018/19 in relation to highway advertising, street lighting and bus lane enforcement would be undertaken.
 - b) The late receipt of the Final Local Government Settlement could revise the position that would be reported to Council on the 1st March 2017.

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

The Cabinet considered a report of the Director of Finance (Chief Financial officer) 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 the 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 detailed revenue budget within a four year Medium Term Financial Strategy (MTFS), a four 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.

The financial resilience depended in part on the Council maintaining an adequate level of reserves which were set out in the report. The Audit Committee at its meeting in September 2016 considered the policy on earmarked reserves and it was proposed to action the same review after the closure of accounts for 2016/17.

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 2017/18 at £14,739k be approved. Any Excess funding in general balances at the financial year end were to be transferred to the financial mitigations reserves to support future budgets.
2. The initial estimate of General Balances to support the 2018/19 and 2019/20 budgets are amounts of £13,209k and £12,832k 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 2016/17 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 of the report be approved.

5. The actions necessary to ensure the prudence of the capital investments as noted in paragraph 4.4 of the report be approved.
6. The report be commended to Council for approval.

10

HOUSING REVENUE ACCOUNT ESTIMATES FOR 2016/17 TO 2020/21

The Cabinet gave consideration to a report of the Director of Finance which out the latest Housing Revenue Account (HRA) outturn estimate for 2016/17, the detailed budget for 2017/18 and strategic estimates for the three years 2018/19 through to 2020/21. The report also sets out the recommended dwelling and non-dwelling rents and service charge increases to be applied from April 2017.

It was reported that after taking all relevant issues into account, the projected financial position for 2016/17 was estimated to be a £2.111m positive variance when compared to the original budget forecast for 2016/17 approved by Council on 24th February 2016. The majority of this variance was attributed to the re-profiling of HRA funded capital schemes into later years due to revisions to planned spending profiles.

The financial position for 2017/18 showed an estimated HRA closing balance of £16.944m which was considered to be sufficient to meet future operational commitments and the potential financial pressures identified in the risk assessment. The 2017/18 position had been presented after allowing for an increase in rent of 2%.

Members noted the Government had already advised that Private Finance Initiative (PFI) properties would be exempt from Central Government's 1% Social Rent Reduction Programme. As all Oldham housing stock was contained within two PFI schemes the 2017/18 budget would follow historic rent setting guidance of Consumer Price Index (CPI) plus 1%, resulting in an increase of 2% (CPI was taken as at September 2016).

The proposed HRA budget report was presented for consideration by the Overview and Scrutiny Performance and Value for Money Select Committee on 26 January 2017. The Select Committee was content to commend the report to Cabinet for approval.

Options/Alternatives considered

In order that the Council complied with legislative requirements it must consider and approve a Housing Revenue Account budget for 2017/18.

Within the summer budget announcement of July 2015, the Government imposed a 1% per annum social rent reduction for 4 years. All Oldham housing stock would be exempt from this decrease and an increase would be applied in accordance with current Government guidance.

Should the Council not wish to continue with the established practice of following Government guidelines, 2 potential scenarios had been assessed:

- proposed rent increase of 2% is changed to 1%
- proposed rent increase is removed altogether

The loss to the Housing Revenue Account in terms of income would be in 2017/18, a 1% increase £77,000 and 0%

increase £154,000 and impact over the life of the business plan at 1% £2,598m and 0% £5,196m.



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RESOLVED – That:

1. The forecast Housing Revenue Account outturn for 2016/17 as per Appendix A to the report be approved and commended to Council.
2. The proposed Housing Revenue Account budget for 2017/18 as per Appendix B to the report be approved and commended to Council.
3. The strategic estimates for 2018/19 to 2020/21 as per Appendix D to the report be approved and commended to Council.
4. The proposed increase to dwelling rents for all properties of 2% be approved and commended to Council.
5. The proposed increase to non-dwelling rents of 2% be approved and commended to Council.
6. The proposed increase to Private Finance Initiative 2 service charges to continue previously approved transitional arrangements leading to full cost recovery be approved and commended to Council.
7. The proposed increase to Private Finance I 4 service charges to be based on the actual charges incurred be approved and commended to Council.

11

CAPITAL STRATEGY AND CAPITAL PROGRAMME 2017/18 TO 2020/21

The Cabinet gave consideration to a report of the Director of Finance which set out the proposed Capital Strategy and Programme for 2017/18 to 2020/21, utilising the essential elements of the 2016/21 and previous years' strategies and programmes and progressed those elements in the context of the financial and political environment for 2017/18.

In preparing the 2017/18-2020/21 Capital Strategy, account had been taken of local issues, the increase and change in the nature of central Government funding and the continued uncertainty regarding the level of funding in future years.

The principles of the Strategy had been prepared in light of all available information and listed areas of potential future investment, subject to the availability of resources.

In overall terms, the Capital Programme included proposed expenditure for 2017/18 of £69.783m, with the largest area of expenditure being on development and infrastructure projects within Economy and Skills. Expenditure reduces to £55.961m in 2018/19, falling to £32.785m in 2019/20, and £9.442m in the final year of the current programme.

The main sources of funding were prudential borrowing and Government grants. The programme in 2017/18 relied on £32.233m of prudential borrowing. In addition there was £28.475m of Government grants, £6.221m of capital receipts, a sum of £0.106m from contributions from third parties and £2.748m of Housing Revenue Account resources. Future years were also predominantly reliant on prudential borrowing and Government grants.

It was, however, likely that the capital position would change prior to the start of 2017/18 and during the year:

- it was possible that there would be further Government funding allocations prior to the start of 2017/18.
- the outcome of specific grant bids would become known.
- it was likely that there would be additional initiatives announced.
- there may also be the opportunity to bid for additional funding e.g. transport initiatives.
- the Council may identify other funding sources, including capital receipts, to finance additional capital expenditure.

Therefore 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.

The proposed Capital Strategy and Capital Programme for 2017/18 to 2020/21 was presented for scrutiny to the Overview and Scrutiny Performance and Value for Money Select Committee on 26 January 2017. The Select Committee was content to commend the report to Cabinet for approval.

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.

RESOLVED – That:

1. The Capital Strategy for 2017/18 to 2020/21 detailed at Appendix 1 and summarised at section 2.1 of the report be approved and commended to Council.
2. The Capital Programme for 2017/18 and indicative programmes for 2018/19 to 2020/21 at Annex C of Appendix 1 and summarised at section 2.2 of the report be approved and commended to Council.

12

TREASURY MANAGEMENT STRATEGY STATEMENT 2017/18

Consideration was given to a report of the Director of Finance that outlined the strategy for 2017/18 Treasury Management activities including Prudential Indicators, the Annual Investment Strategy and the Minimum Revenue Provision policy.

It was reported that the strategy for 2017/18 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 and made recommendations with regard to the Treasury Management Strategy for 2017/18.

The Council was required to operate a balanced budget which broadly meant that cash raised during the year would meet cash expenditure and part of the treasury management operation was to ensure that cash flow was adequately planned with cash being available when needed.

The second main function of the treasury management service was the funding of the Council's capital plans, which provided a guide to the borrowing need of the Council, essentially the longer term cash flow planning to ensure that the Council could meet its capital spending obligations.

The Local Authority Act 2003 required the Council to set out its Treasury Strategy for borrowing and to prepare an Annual Investment Strategy and the Council had adopted of the Revised Chartered Institute of Public Finance and Accountancy Code of Practice in Treasury Management 2011 of which the Council undertook a number of primary requirements. The report was considered by the Performance and Value for Money Select Committee on the 26th January 2017 and was commended 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:

1. The capital expenditure estimates as per paragraph 2.1.2 be approved and commended to Council.
2. The Capital Financing Requirement (CFR) projections as per paragraph 2.2.3 of the report be approved and commended to Council.
3. The affordability prudential indicators as per section 2.4 of the report be approved and commended to Council.
4. The Minimum Revenue Provision policy and method of calculation as per appendix 1 of the report be approved and commended to Council.
5. The projected treasury position as at 31/03/2017 as per paragraph 2.5.3 of the report be approved and commended to Council.
6. The treasury Limits for 2017/18 to 2019/20 as detailed in sections 2.6.2 and 2.6.3 be approved and commended to Council.
7. The Borrowing Strategy for 2017/18 as per section 2.8 of the report be approved of the report be approved and commended to Council.
8. Limits to interest rate exposures as set out in section 2.9.2 of the report be approved and commended to Council.
9. The upper and lower limits on fixed rate debt maturity structure as set out in Section 2.9.3 of the report be approved and commended to Council.
10. The Annual Investment Strategy as per section 2.13, the creditworthiness policy at section 2.14 and the level of investment in non-specified investments as detailed at appendix 4 to the report be approved and commended to Council.

The meeting started at 6.00pm and finished at 6.24

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