

# Oldham Council Efficiency Plan

**2016/17 – 2019/20**

Submission to DCLG

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# Joint Statement of the Leader of the Council and Chief Executive

Oldham Council is one of ten Local Authorities that comprise the Greater Manchester region. As such we are part of exciting devolution plans covering the whole of the region which aim to bring decision making and accountability for public services closer to the people of Greater Manchester. Geographically, Oldham occupies a key position between the City of Manchester and Leeds City Region and is extremely well placed to make a significant and positive economic contribution to the Northern Powerhouse project.

This Efficiency Plan is framed by Oldham's commitment to develop a co-operative future where residents, businesses, Elected Members, partners and employees work together to improve the borough and create a confident and ambitious place. We want all members of the community to be able to play an active part in building our co-operative borough. Put simply, this is about everybody doing their bit and everybody benefitting.

There are three corporate objectives that focus the activity of the Council in delivering this ambition:

- **A productive place** to invest where business and enterprise thrive
- **Confident communities** where everyone does their bit
- **A Co-operative Council** delivering good value services to support a co-operative borough

These objectives reflect the on-going commitment to ensure the Council works to serve the people of Oldham in all that it does and provides strong leadership for the borough.

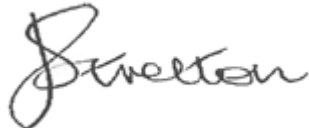
Since the Government first announced the opportunity to secure guaranteed minimum grant funding over the four-year spending review period, there have been unprecedented political and economic developments stemming from the referendum result to leave the European Union. This has led to a period of volatility in global financial markets and economic uncertainty. Politically, the appointment of Theresa May as Prime Minister together with a major reshuffle of Ministerial positions provides an opportunity for a period of stability against a sea of change.

The Local Government sector has been (and continues to be) significantly impacted by Government spending reductions. Areas like Oldham have borne a disproportionate share of grant reductions compared to many other Local Authority areas. The combination of the reductions, the 'rolling in' of specific grants into general grants, the transfer of responsibilities, Government policy initiatives and other cost pressures such as those arising from price inflation and demographic changes mean Oldham has had to reduce spending. Since 2009/10 budget cuts of £192m have been made.

As outlined in this Plan, further financial challenges remain with a £45.185m of budget reductions to be made by 2019/20. However, building on the strategies and objectives contained in the Councils Corporate Plan, the budget reduction process is being managed so that priorities and initiatives are fully supported and services commissioned and provided by the Council reflect the requirements of Oldham citizens, and are of good quality and provide value for money.

Recognising the difficulties that have been presented by the issuing on an annual basis of short term Central Government funding notifications, Oldham Council welcomes the opportunity to obtain an element of funding certainty over the remaining Spending Review period. It also hopes the new Prime Minister will deliver on pledges to 'build a better Britain', support people who are "just managing" and "working around the clock" to give them more control over their lives and to provide better life chances.

This Plan is central to the Council having some certainty over resources available so it can make informed financial decisions as to how to deliver £45.185m of spending reductions over the period 2017/18 to 2019/20.



.....  
Cllr Jean Stretton  
Leader of the Council



.....  
Dr Carolyn Wilkins OBE  
Chief Executive

# Joint Statement of the Deputy Leader of the Council and the Chief Finance Officer

Oldham Council's Efficiency Plan highlights how the budget for 2016/17 has been balanced and aims to show how a balanced and sustainable budget can be delivered for the remaining three year planning period 2017/18 to 2019/20.

The Council prepared its Medium Term Financial Strategy (MTFS) in February 2016 covering the period 2016/17 to 2020/21. It was acknowledged that, as the final year of the MTFS would see the introduction of the new Local Government Finance regime, there was greater uncertainty about the projections. The opportunity is now being taken to reset the MTFS to reflect the current position and also to align to the Government's current planning timeframe and fiscal projections.

In the context of the significant and lengthy period of spending reductions that have been accommodated since the start of the decade, the successful delivery of further savings of £45.185m over the period 2017/18 to 2019/20 will be extremely challenging and not without risk. This is particularly the case at a time of significant reform to the delivery of local public services as well as reform of the Local Government Finance System.

Although there is uncertainty about the on-going impact of 'Brexit' on the economy and public finances, Oldham's Efficiency Plan is based on the assumption that the Government will not seek to re-run the Spending Review process in order to further reduce public spending. Furthermore, the Council has assumed that the Government will take whatever action is necessary to mitigate the impact of any downturn in the economy; as this could have a significant detrimental impact on local revenue streams such as Business Rates and income from sales, fees and charges.

Oldham's Efficiency Plan also assumes the Government will:

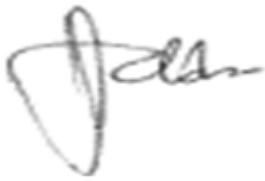
- Not seek to reform or further reduce specific funding streams (such as Dedicated Schools Grant) without taking account of unavoidable spending commitments associated with the past provision of services;
- Not add to the list of unfunded spending pressures created by Government policy initiatives, the most recent examples being the commitment to introduce and increase the National Living Wage and the abolition of the contracted out rebate for Employer's National Insurance;
- Do all it can to facilitate the integration of Health and Social Care services and remove some of the regulatory and fiscal barriers that must be overcome;
- Ensure Local Government as a sector is well placed to manage the risks associated with 100% Business Rates Retention and other Local Government finance reforms and also that Councils are provided with sufficient resources to continue to deliver local services.

For its part, Oldham Council is already working with Health Service partners to deliver service improvements and financial savings. Oldham is also closely engaged with other Greater Manchester Districts and the Greater Manchester Combined Authority to take forward the Devolution agenda; particularly with regard to stimulating local economic growth and continuing the excellent work being carried out under the Public Service Reform agenda.

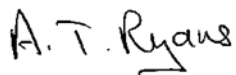
Oldham has also taken care to build a strong financial platform from which to deliver the Efficiency Plan that includes a robust reserves policy designed to facilitate the delivery of further savings and mitigate financial risk.

The Council has taken the initiative to make good the lack of private sector investment in the borough. The Council's capital programme is also geared towards delivering physical regeneration and stimulating economic growth which will not only help secure and grow local Business Rates and Council Tax revenues, but also provide jobs, opportunities and a brighter future for Oldham citizens.

Building on the solid foundations of good financial management, the Council will use its resources wisely with a measured programme of service rationalisation, service improvement and development together with investment in the borough and hence deliver the headline budget reductions outlined in this Plan.



.....  
Cllr Abdul Jabbar, Deputy Leader and  
Cabinet Member for Finance and Human Resources



.....  
Anne Ryans  
Director of Finance BA (Hons), FCPFA

# 1. Introduction to the Oldham Council Efficiency Plan

## Background Information

- 1.1. Since 2010, the Government has been striving to reduce the national deficit and part of its strategy is to continue to reduce public sector funding, particularly that for Local Government. This programme of austerity will continue until at least 2019/20. So, for a period of 7 years, Councils have been required to reduce expenditure. Those Councils like Oldham, with heavy reliance on Central Government funding have been hit especially hard and this trend will continue for a further 3 years, to the end of 2019/20.
- 1.2. In addition, since 2010 and also for the foreseeable future, Local Authority financial planning has and will continue to operate not only in the context of the national policy framework but also on-going wider economic, demographic and social challenges.
- 1.3. The Final Local Government Finance Settlement issued on 8 February 2016 provided indicative grant allocations covering four financial years, 2016/17 to 2019/20 highlighting funding reductions across the period. However in an effort to assist financial planning, and as an acknowledgement of the calls from the Local Government sector for funding certainty, the Government has advised that through submission of an Efficiency Plan, Council Revenue Support Grant funding allocations will be confirmed for the four year period 2016/17 to 2019/20.
- 1.4. This Efficiency Plan (The Plan) is the submission from Oldham Council to secure this funding certainty. It principally focuses on laying the foundations for delivering a balanced and sustainable budget over a four year timeframe (2016/17 to 2019/20).
- 1.5. The Plan sets out the policy landscape that affects the fiscal and service delivery arrangements of Local Authorities (Section two refers). It also details the assumptions underpinning this plan together with an explanation of the scale of the budget challenge faced by the Council (Sections three refers). Finally, it sets out short and medium term arrangements for addressing the budget challenge together with the Council's arrangements for fiscal resilience (Section five refers).
- 1.6. The Plan has been written with regard to the Councils Corporate Plan and the public financial budget setting documents agreed at Council on 24 February 2016. Links to all supporting documents are included for reference in Section eight.

## The Councils Co-operative Ambition

- 1.7. The Plan is framed by the Council's ambition for a co-operative future where everyone does their bit to create a confident and ambitious borough. There are three corporate objectives that focus the activity of the Council in delivering this ambition:
  - A productive place to invest where business and enterprise thrive
  - Confident communities where everyone does their bit
  - A Co-operative Council delivering good value services to support a co-operative borough
- 1.8. These objectives reflect the on-going commitment to ensure the Council and its partners work with the residents of Oldham to bring about positive change and provide strong leadership for the borough.

- 1.9. As an organisation, a co-operative approach provides the opportunity to find positive and sustainable solutions to the on-going financial challenges being faced. Oldham has a values driven approach which underpins the way it does business. The Council believes in the importance of fairness and responsibility. In practice, that means maximising the positive social, economic and environmental impact that can be achieved through everything we do as set out in the Council's values. From procurement practices to pay policy, the Council is using its influence as a commissioner, service provider, facilitator and employer to deliver that added social value.
- 1.10. Working with communities at a neighbourhood level, the Council is continuing to enable residents to take greater control over their own lives and over the services and amenities that matter most to them. Power and responsibility is being devolved, and support given to people to do more to help themselves and each other. By building greater resilience and self-reliance, the Council is enabling individuals and communities to make positive choices to change their lives and their neighbourhoods for the better – whether that means small choices that make a big difference, like putting litter in the bin instead of dropping it on the street, or making a big change, like taking control of local services.
- 1.11. The Council is committed to developing a different relationship with citizens, partners and staff. This means being a Council that listens, responds and engages as locally as possible and has strong civic and community leadership.

### **The Financial Challenges**

- 1.12. The need to take costs down and make budget reductions will be a key driver for the foreseeable future. Therefore, continued financial prudence in the management of the Council's affairs remains essential. Significant budget reductions have already been delivered at a total of £192m over the period 2009/10 to 2016/17. A robust approach to managing the budget for 2016/17 meant Oldham was one of a limited number of Authorities to identify and agree at Council, budget options for 2016/17 before the end of the calendar year 2015.
- 1.13. The financial challenge has not been easy to address. The savings requirements have resulted in the taking of some difficult decisions in order to deliver a balanced budget each year. Some services have ceased. Some service provision has reduced. The number of staff employed by the Council has reduced. Wherever possible the action taken has been aimed at protecting front line services. This has been made possible by making reductions across a number of thematic areas including:
- Asset rationalisation including a reduction in occupied office space;
  - Efficiencies through working in partnership;
  - Public Sector Reform initiatives and Early Help offers;
  - Reductions in management costs;
  - Demand management in Adults and Children's Services;
  - Increasing the level of income generation;
  - Use of external funding;
  - Redesign of services so they are leaner and more efficient; and
  - A root and branch review of activities and the decommissioning of non-essential services.
- 1.14. However, despite the budget reductions, the Council has developed an exciting portfolio of opportunities demonstrating Oldham is open for business by using



resources to attract and secure significant additional investment in the borough's amenities. The Council has recently:

- Transformed the Grade-II listed Old Town Hall building into a family entertainment venue based around a cinema with 800 seats which will bring in an estimated extra 214,000 visits to the town centre annually;
- Continued to push forward the flagship "Get Oldham Working" campaign which has seen local employers provide jobs, apprenticeship and trainee opportunities to local people since its launch in May 2013;
- Supported the creation of an Independent Quarter in the town centre, approving 74 grant applications to assist businesses and attracted 24 new businesses to locate there;
- Signed a deal with Marks & Spencer to be the anchor tenant in the Prince's Gate development at Oldham Mumps;
- Opened a new £8m sports centre for Royton in September 2015; and
- Opened a new £15m Oldham sports centre in November 2015.

1.15. The Council has also invested in its workforce by committing to pay Council employees in line with the higher National Living Wage as championed by the Living Wage Foundation.

1.16. In preparing this Plan, the Council has undertaken a fundamental review of all expenditure and resources figures underpinning the budget gap estimates. As at September 2016, the Budget Gap for 2017/18 is forecast to be £20.315m rising to £45.185m by 2019/20. Further details are set out in Section three of the Plan.

1.17. The means by which the Council will address the savings requirement is set out in Section five. The challenge will not be underestimated but based on the good practice already in place the budget will be balanced within a strategic framework of savings supplemented with investment in services and a positive approach to change.

1.18. The benefit to the Council arising from the submission of this plan to the Secretary of State is that it will secure a guaranteed minimum level of Revenue Support Grant (RSG) funding for the remainder of the Spending Review period. Whilst RSG forms an ever decreasing proportion of Local Authority funding, a medium to long term guarantee of this type is beneficial from a financial and business planning perspective as it provides an element of certainty against the risks and challenges presented by the current national policy agenda for Local Government. Increased certainty will also be reflected in future iterations of the Council's reserves policy, hopefully allowing the Council to reduce the amount of reserves being carried to mitigate financial risks and future funding uncertainties.

## 2. Policy Landscape

- 2.1. The contents of the Plan must be informed by the policy landscape within which Oldham Council operates. The work undertaken by the previous Coalition Government and more recently by the Conservative Government has resulted in major changes to the role of, and arrangements for Local Authorities. This has therefore had a major influence on the operation of the Council, introducing new activities and responsibilities. These therefore shape the operational and financial environment of the Council as well as its approach to addressing financial challenges.
- 2.2. Recent key changes and forthcoming developments in the policy landscape to which the Council must have regard and respond accordingly are set out below:

### **National Political Change**

- 2.3. Since the Government first announced the opportunity to secure guaranteed minimum grant funding over the four-year spending review period there have been unprecedented political and economic developments stemming from the recent referendum vote to leave the European Union. The result has ushered in a period of volatility in global financial markets and economic uncertainty. Politically, the appointment of a new Prime Minister and a major reshuffle of Ministerial positions that include a new Chancellor of the Exchequer and a new Secretary of State for Communities and Local Government signals the approach to addressing the full economic, political and social implications of leaving the EU.

### **Devolution**

- 2.4. The Greater Manchester Devolution Agreement was signed with the Government in November 2014. It brings both the decision making powers and greater control of financial budgets far closer to the people of Greater Manchester. This gives them and their local representatives control over decisions which have until now been taken at a national or regional level.
- 2.5. Taking this forward the Cities and Local Government Devolution Act 2016 provides the legislative context which will allow the Greater Manchester Combined Authority (GMCA) to assume responsibilities currently performed and delivered by other public bodies. The key element of this is that such assumption of powers would only be with the agreement of the public agencies involved e.g. Local Authority and Health Authority functions.
- 2.6. The Plan therefore acknowledges the opportunities afforded by the devolution agenda in its widest sense.

### **Local Government Finance Legislation**

- 2.7. The Local Government Finance Act 2012 introduced the last major revision to the Local Government finance regime. Further significant changes are being developed jointly by the Department for Communities and Local Government and the Local Government sector (through the LGA). A series of working groups have been established to develop the mechanisms for delivering 100% Business Rates Retention, reviewing 'needs' versus 'resources' as well as accommodating service transfers between Central and Local Government. This work also involves examining Combined Authority/devolution arrangements to ensure these can be accommodated within the new finance system. Whilst the Government intends to roll out the new regime nationally by the end of the decade, Oldham Council, through its location

within the Greater Manchester region will be at the forefront of this new initiative, piloting the new arrangements from April 2017.

- 2.8. The purpose of the pilot is to develop and trial approaches to manage risk and reward in a Local Government finance system that includes the full devolution of Business Rates revenues. It is hoped the new system will provide a stable funding stream whilst incentivising economic growth. At present, only half of business rates revenues are devolved to the Local Government sector. These reforms mean business rates revenues will replace Government grant funding and Councils may be required to take on additional service responsibilities. The operation of the pilot scheme and subsequent reform will be informed by responses to the consultation on Business Rates Retention, the closing date for which was 26 September 2016.
- 2.9. A considerable amount of work is taking place to develop detailed proposals for the operation of the GM Pilot. The Government is committed to ensuring the region is no worse off as a result of the pilot. The “no detriment” principle to the piloting arrangements is of key importance to the Council. It is essential that agreement is reached so that it ensures that the Council will be no worse off than if the current arrangements remained in place.
- 2.10. The pilot scheme for full business rates retention may create further impetus for working jointly across the Combined Authority area. The pilot scheme provides an opportunity to develop new initiatives for cross-authority working in terms of business rates administration and also as part of the growth agenda to attract new businesses to Greater Manchester for the benefit of the region as a whole, as well as individual districts.
- 2.11. In addition to the pilot scheme, the Chancellor announced further business rates reforms in the March 2016 budget that will change small business rate thresholds and effectively remove up to 1/3rd of properties nationally from any business rates liability. The Government is also considering a more frequent revaluation cycle (moving from five years to three years). These reforms will make it much more challenging to generate additional tax revenue from Business Rates growth and more frequent revaluation could introduce an additional element of uncertainty and risk associated with these revenues. The Government does however, recognise these risks and uncertainties and has committed to reviewing not only the system for implementing full business rates retention but will also revisit the issue of need to hopefully ensure individual Local Authority finances will remain sustainable in the medium to long term.
- 2.12. As the detail behind the GM Pilot Scheme and wider reforms are still under development, it is not yet possible to predict whether the pilot scheme and subsequent changes to the Local Government finance regime will be of benefit to Oldham Council. Much of this will hinge on the work being undertaken around needs and resources and whether or not the reformed system will provide a more sustainable and stable platform for future Local Government finances. Oldham Council’s Finance service is participating in discussions at Greater Manchester level with regard to the pilot and providing input and support to the CLG/LGA working groups via SIGOMA and other established networks including those operating at GM level.
- 2.13. The development of the pilot scheme and subsequent changes to the Local Government finance regime will eventually impact on the Council’s Medium Term Financial Strategy. However, full implementation is outside the timeframe of The Plan which has therefore been prepared on the principle of “no detriment” during the pilot phase to the end of 2019/20.

## Health and Social Care Devolution

- 2.14. February 2015 saw a Memorandum of Understanding (MoU) signed between the 10 Local Authorities that make up the Association of Greater Manchester Authorities (AGMA), all Greater Manchester Clinical Commissioning Groups (CCGs) and NHS England (NHSE). From April 2016 Greater Manchester has taken control and responsibility for the £6bn Health & Social Care Budget and is working to deliver its own sustainable Health & Social Care system by 2021.
- 2.15. The areas of the Health & Social care system that are included in the agreement are:
- Acute care (including specialised services);
  - Primary care (including management of GP contracts);
  - Community services;
  - Mental health services;
  - Social care;
  - Public Health;
  - Health Education; and
  - Research and Development.
- 2.16. Devolution in Greater Manchester has provided the momentum and impetus to explore how much further and faster GM can move towards realising a financially sustainable health system.
- 2.17. Oldham Council and the Oldham Clinical Commissioning Group (CCG) have jointly developed a Locality Plan for Health and Social Care Transformation covering the period 2016/17 to 2020/21. The successful delivery of this Locality Plan will mean that both organisations have worked together and will have:
- Transformed the relationship between the population and the health and social care system, so that the public expects services to promote healthy behaviours, independence and self-care and reducing dependency on high cost or institutionalised services;
  - A primary care-led place-based health and social care system that maximises the opportunity to pool budgets, integrate commissioning and that provides outcome-focused integrated care closer to home;
  - A health and social care system that is built upon sustainable financial models;
  - A workforce that has the skills and capacity to enable people to receive appropriate and timely help and support to address the root causes of health problems as well as the presenting symptoms;
  - A health and social care system that recognises and supports a wider associated workforce including carers, other public sector areas such as the fire service, social housing providers, voluntary and community organisations and volunteers;
  - Better service quality and improvements in the public's experience of health and social care, delivering greater efficiency, and improved health outcomes;

- Developed an evidence base about the effectiveness of our resilience-focused programmes and have scaled these up across Oldham and fostered the widespread adoption of community development and asset-based approaches;
- A systematic approach to developing community-centred approaches (including social prescribing) to health and social care, working closely with Oldham's voluntary and community sector.

2.18. The Council is working with the CCG to consider how the Council's Adult Social Care and CCG budgets can be deployed more effectively by joining up the delivery of services and working around a pooled budget arrangement. This will build upon the existing pooling arrangements for the Better Care Fund. There is still much work to be done to take this forward, but good progress is being made.

### **Better Care Fund**

2.19. Clearly aligned to health and social care devolution, the Better Care Fund (BCF) was established in 2013 and provides an opportunity to transform local services to provide better integrated care and support. CCGs and Local Authorities must jointly agree how the funds are spent, so it is essential to ensure the fund is developed in the interests of both parties. As advised above, this has been working effectively for some time. An additional £1.5bn of BCF funding will be available nationally to Local Authorities from April 2017 to support the integration of health and social care. Initial allocations of funding have been included in the Council's financial plans and are passported to health and social care provision.

### **Welfare Reform**

2.20. The Welfare Reform Act 2012 introduced fundamental changes to the social security benefit system. Universal Credit (UC) is becoming the main means-tested social security benefit for people of working age. UC is being phased in across the country with full roll out now scheduled for March 2022. Oldham Council has acted as a pilot Authority for the new regime and as such is one of the first Local Authorities to phase in UC. As more elements of UC are introduced there are likely to be further implications for the Council and benefit recipients.

2.21. The latest available national and local research, data and information, suggests the estimated cumulative loss to Oldham through the initially proposed changes over the next four years is over £40m. If all proposals are eventually fully implemented, the worst affected 2,000 families in the borough stand to lose more than £3,800 per year as a result of the reforms. Many people will be affected by more than one change. This is likely to impact on demand for Council services as these vulnerable citizens seek out additional help and support. The Council is therefore prioritising initiatives such as the provision of a Welfare Rights team as a means of helping those in need.

### **Academies and Education Consultation**

2.22. The Government has moved away from its policy on the forced academisation of schools although it remains in support of the academy ethos. More recently, the Government has announced that it would not discourage the creation of more grammar schools. Clearly the direction of the education agenda will influence the activities of the Council. Whilst most financial support for schools is via the Dedicated Schools Grant, general fund resources are used for education and related activities.

2.23 The Government is consulting on a number of changes. Consultation on a new national funding formula for Schools ran from 7 March 2016 to 17 April 2016. This consultation contained a number of items that if implemented could have an adverse effect on Council finances. As yet there has been no formal response to this consultation however a written statement from the Education Secretary on 21 July 2016 highlighted the following points:

- In 2017/18 no Local Authority will see a reduction from their 2016/17 funding (adjusted to reflect authorities' most recent spending patterns) on the schools block of the dedicated schools grant (per pupil funding) or the high needs block (cash amount).
- Final allocations for schools and high needs blocks will follow in December 2016 on the basis of pupil numbers recorded in the October 2016 census.
- For 2017/18, the current minimum funding guarantee for schools will be retained, so that no school can face a funding reduction of more than 1.5% per pupil next year in what it receives through the Local Authority funding formula.
- Proposals to create a new central schools block, allowing local flexibility on the minimum funding guarantee or to ring-fence the schools block within the Dedicated Schools Grant will not be completed in 2017/18. The position for 2018/19 and beyond regarding these proposals will be announced in the autumn.

2.24 Clarity was also given on the future of the unringfenced Education Services Grant which is used to support General Fund (non-DSG) expenditure. It was announced that the grant would cease in September 2017 but retained funding would transfer into the ringfenced DSG from April 2017. This has had an impact on the budget assumptions and a revision to the original estimate has now been included in this Plan with a £1m reduction to previously anticipated Education Services grant funding.

2.25 One area where clarity is still sought is the treatment of DSG schools block historical funding commitments but if there are any changes, they are not expected until at least 2018/19.

### **National Living Wage**

2.26 The Government's new National Living Wage is now enshrined in legislation meaning all workers aged 25 and over are legally entitled to earn at least £7.20 per hour. The Government's ambition is for this National Living Wage to increase to over £9 per hour by 2020. As already advised, the Council draws its pay line using the higher National Living Wage as championed by the Living Wage Foundation, so the legislative change had no direct impact on employee costs. However, the cost of externally provided services, particularly with regard to social care provision, has been significant.

2.27 Although the Government has allowed Councils to have some flexibility in dealing with this issue by enabling the raising of a Social Care precept, a 2% increase in Council Tax to be used specifically to finance the cost of social care, in 2016/17 this still left the Council with a deficit of £1.200m between resources available (£1.500m) and resources required (£2.700m). This is an on-going financial pressure, which when factored with the increased demand for and complexity of care will continue to present a significant financial challenge to the Council.

## Unemployment

- 2.28 In aggregate over the last year, unemployment in Oldham as well as across Greater Manchester has seen an upward trend, in contrast to the national picture of falling unemployment. Oldham has seen an increase in unemployment of 11.3%, more than the Greater Manchester average (9.5%), whereas across England (-3.9%) unemployment continues to fall significantly.
- 2.29 As of July 2016 there were 4,200 people in Oldham unemployed. This represents an unemployment rate of 3.0%, the joint highest rate across Greater Manchester and higher than the national average of 1.7%. Within this figure there were 1,050 young people (aged 18-24) in Oldham unemployed which represents a youth unemployment rate of 5.3%, again the joint highest rate across Greater Manchester and higher than the national average of 2.6%.
- 2.30 Recognising that the skill base of the Oldham workforce needs to be improved, the Council has invested in the skills agenda and in line with our co-operative vision, the Council's new Work and Skills Strategy aspires to achieve four simple strategic goals over the 2016-20 period:
- Create jobs;
  - Promote social regeneration and in-work progression;
  - Deliver the Oldham Education and Skills Commission and improve the colleges;
  - Support a thriving private sector.
- 2.31 By continuing investment in the Get Oldham Working initiative and working with employers across the borough, the Council is striving to provide opportunities to reduce unemployment and improve skills for life for the younger citizens in the borough.

## New Legislation

- 2.32 The Government set out its legislative programme in the Queen's Speech presented on 18 May 2016. This will result in further changes to the role of, and arrangements for Local Authorities. Key changes in the national policy and landscape include:
- **Neighbourhood Planning and Infrastructure Bill** – The aim of the Bill is to streamline planning conditions, give local communities more say over neighbourhood planning and provide a framework for paying compensation.
  - **Local Growth and Jobs Bill** – The aim of the Bill is to allow Local Authorities to retain business rates, for new powers to be devolved and to allow combined authority mayors to levy the business rate supplement to fund infrastructure investment.
  - **Bus Services Bill** – The aim of the Bill is to allow combined authorities with elected mayors to have the power to franchise local bus services and for councils to set standards for ticketing, branding, and frequency of services.
  - **Children and Social Work Bill** – The aim of the Bill is to speed up adoption procedures, requires councils to tell children leaving care what services they are entitled to and to place a duty on councils to promote educational achievement for adopted children. It also gives care leavers the right to personal advisers and introduces a new social work regulator.

- **Education for All Bill** – The aim of the Bill is to introduce powers to convert under-performing schools to academies, set out a new funding formula for schools, to make head teachers responsible for school improvement and for schools to be responsible for assisting excluded pupils.
- **Prison and Courts Reform Bill** – The aim of the Bill is for new reformed prisons to be opened, for Governors to have greater freedom and power, for more information on post-release offending and employment rates to be published and for courts and tribunals to be modernised.
- **National Citizen Service Bill** – The aim of the Bill is to introduce a new statutory framework to deliver the National Citizen Service (NCS) and require all state secondary schools, academies, private schools and councils to promote NCS.
- **Counter-Extremism and Safeguarding Bill** – The aim of the Bill is to introduce a new civil order regime to restrict extremist activity, introduce new powers of intervention to tackle the radicalisation of children, for Ofcom to have power to regulate internet-streamed material from outside the EU and for the Government to step in to tackle extremism, subject to consultation.

2.33 As each of these Bills receives Royal Assent, they will have an impact on the Council. This may require action including the allocation of additional resources, the reshaping of existing programmes of spending or working with partners and the pooling of resources. However, all new initiatives and programmes of work must be developed within the financial estimates presented in this Plan.



## 3 The Council's Budget Challenge

### 3.1 The Challenge for 2016/17 and how it was Addressed

- 3.1.1 Oldham is well positioned to be able to adapt and adjust to meet some of the new challenges of a financial and policy nature. Many improvements have been made by the Council and this has led to a number of significant developments and achievements with a forward looking and positive attitude to change. The budget process is tackled as a corporate exercise with full Member engagement.
- 3.1.2 The budget process is focussed around the forum of Leadership Star Chamber, which is a tried and tested method allowing the detailed review and examination of the financial challenges facing the Council and also budget options so that there is clear Cabinet Member support for proposals before their submission for public consultation and scrutiny. Leadership Star Chamber meetings are chaired by the Leader of the Council with support from Cabinet Members and Senior Officers allowing the careful consideration of budget issues and proposals.
- 3.1.3 The first year of this Plan includes 2016/17 for which the budget was set on 24 February 2016. The Council approached budget setting for 2016/17 and 2017/18 as a two year exercise with an initial budget reduction requirement of £60m. After detailed review the budget gap reduced to £43.394m (£18.194m for 2016/17 and £25.200m for 2017/18).
- 3.1.4 As would be expected, the main emphasis was to balance 2016/17 and after the receipt of the Local Government Finance Settlement, which allocated more grant than had initially been anticipated, the final budget gap to be addressed for 2016/17 was £16.044m.
- 3.1.5 The Council considered budget proposals in three tranches, approving proposals at three Council meetings – November and December 2016 – with final budget setting in February 2016. Further details are shown in the table below:

Budget Reductions	£000	£000
Budget Reductions Approved November 4 Council	5,974	
Budget Reductions Approved December 16 Council	4,993	
Budget Reductions Approved February 24 Council	5,077	
<b>Overall Budget Reduction Position</b>		<b>16,044</b>
Represented by:		
- Budget Reduction Proposals reducing expenditure		15,714
- Budget Reduction Proposals using reserves		330
<b>Budget Reduction Position</b>		<b>16,044</b>

3.1.6 The budget reductions covered all the Service Directorates of the Council highlighting the span of proposals across all areas. Details of the approved budget reductions are included in the reports to Council but are summarised by Directorate in the table below:

<b>Budget Reductions by Directorate</b>	<b>£000</b>	<b>£000</b>
Health and Wellbeing	7,704	
Co-operatives and Neighbourhoods	1,954	
Economy and Skills	2,672	
Chief Executive & Policy and Governance	634	
Corporate and Commercial	3,080	
<b>Total Approved</b>		<b>16,044</b>

3.1.7 Savings proposals approved in broad terms covered the following areas:

- Income generation;
- Service transformation using new technology;
- Service transformation via improved partnership and integrated working arrangements;
- Savings from contract reviews and renegotiations;
- Innovative approaches to redesigning service provision;
- Improving value for money approaches to service delivery;
- Reviews of corporate priorities and rationalisation of budgets;
- Reducing grants to external agencies; and
- The one-off use of reserves.

### **3.2 The Forecast Revenue Position for 2017/18 to 2019/20 at February 2016**

3.2.1 In addition to the budget for 2016/17, the Medium Term Financial Strategy approved by Council on 24 February 2016 detailed the financial challenges facing the Authority over the five year period to the financial year 2020/21 and included a forecast of the budget reduction requirements needed to achieve a balanced budget over that period. At that time, the Council had a balanced budget position for 2016/17 and the Budget Gap for 2017/18 was reported to be £20.464m rising to £63.584m by 2020/21 (£51.666m over the period to 2019/20 to align to this Plan).

3.2.2 Clearly, since February, there have been a number of developments both locally and nationally which have had an influence on the financial position of the Council as outlined below.

### **3.3 Revised Estimates of Budget Pressures at September 2016**

3.3.1 The Council recently carried out a detailed review of assumptions used to calculate the budget reduction requirements for this financial planning period. This was informed by new or updated funding notifications from Central Government, trends in inflation, other Government policy announcements and changes in issues directly under the influence of the Council, for example revisions to capital spending plans. It also assumes as the starting point that expenditure and activity levels will continue as in previous years, adjusted for any approved budget reductions, growth items and additional burdens arising from new legislation or Central Government policy initiatives.

- 3.3.2 The following details the basis of estimates and assumptions that have been used when determining the expenditure pressures and funding available for the period 2017/18 to 2019/20, using the budget challenges for 2016/17 as a starting point.

#### Pension Contributions

- 3.3.3 The expenditure pressure assumed represents a contribution rate increase from 18.8% in 2016/17 to 20.0% in 2017/18 and a further 1% in each subsequent year. This is subject to change and will be further reviewed once the Greater Manchester Pension Fund (GMPF) releases actuarial information later this year.

#### Pay Awards

- 3.3.4 Pay inflation is assumed at 1% across all years for all mainstream funded employees, all employees of a wholly owned Adult Social Care trading organisation and the continuation of a locally agreed commitment to the Living Wage Foundation National Living Wage.

#### Inflation

- 3.3.5 Whilst the Council aims for efficient services and therefore assumes no inflation on general supplies and services, there are some areas of expenditure where there is a contractual commitment linked to inflation and this projected additional cost reflects that need. In the main, this relates to increased utility costs and inflationary rises built into PFI contracts.

#### Investment Fund/Capital Financing Costs

- 3.3.6 The Council has agreed an ambitious regeneration programme funded in part by prudential borrowing. This requires an increase in revenue spending to support the borrowing costs in line with the projected timeframe for the capital investment. The estimates include sufficient provision to fund forecast borrowing costs including the revenue implications associated with funding and delivering the Council's approved capital programme. Prior to approval, additional capital expenditure is subject to a financial and risk assessment to determine the extent of any revenue budget implications. Where possible, the Council will seek to ensure new schemes or additional capital investment is self-financing in order to avoid further increasing the budget gap.

#### Business Plan

- 3.3.7 A funding allocation has been included in the budget estimates to facilitate the funding of business developments which may be identified during the budget process.

#### Levies

- 3.3.8 Estimates of expected levy payments within the Efficiency Plan are based upon the most up to date information provided by the Greater Manchester Waste Disposal Authority (GMWDA), the Greater Manchester Combined Authority (GMCA) and the Environment Agency.
- GMWDA - Oldham pays a levy for waste disposal which for 2016/17 was set at £15.897m. The GMWDA has however indicated that the levy will increase over the next four years given the impact of the Private Finance Initiative (PFI) scheme around which waste disposal facilities have been financed. An estimated increase of £1.732m has been assumed for 2017/18 with further

increases for each year of the Plan rising to an additional cumulative cost of £3.600m per annum by 2019/20.

- GMCA - Oldham's Transport for Greater Manchester (TFGM) levy was set at £15.848m for 2016/17. At this stage, the Plan allows for a 2% per annum increase in the GMCA transport levy.
- Environment Agency - Oldham's levy for 2016/17 was £0.101m. The Environment Agency levy is comparatively small and given the pressure on public sector organisations to minimise cost increases and seek efficiency savings, no further increase is anticipated over the life of the Plan.

#### End of Temporary Changes to Employment Terms and Conditions

- 3.3.9 As part of agreed budget reductions for 2014/15, the Council temporarily varied the employment terms and conditions of employees. These temporary conditions will cease at the beginning of the 2017/18 financial year. The financial impact is £2m per annum which has been included in the budget estimates.

#### Social Care – Demand Pressures

- 3.3.10 Given the national trends in adults social care pressures which have been the subject of national publicity and also the local experience of increasing demand combined with more a complex caseload, a budget pressure of £3.000m has been added to the forecast financial position. This also includes an allowance for demand pressures for children's social care services. This position will be kept under review during the budget setting process.

#### Adults Social Care – Impact of National Living Wage

- 3.3.11 As detailed earlier in this report, changes to the National Living Wage announced by Central Government have resulted in a financial burden for Local Authorities particularly around Adult Social Care providers. Budget estimates take account of the 2016/17 increases and also the intention to move to a minimum of £9 per hour by 2020.

#### Social Care Pressures – Care Act 2014

- 3.3.12 The Local Government Finance Settlement included increased funding in future years for an improved Better Care Fund to assist in the provision of new burdens associated with the 2014 Care Act. The budget estimates passport this funding to Adult Social Care to support a corresponding increase in spending.

#### Public Health Services

- 3.3.13 The Government first started to reduce Public Health Grant allocations in 2015/16. In that year, the grant was reduced by £200m across all Local Authorities with the direct impact on Oldham being a loss of £1.057m. Public Health funding for 2016/17 was announced on 11 February 2016 with a grant allocation of £17.775m and £17.337m for 2017/18. In addition to the £0.510m provided in 2016/17, the Council will top up Public Health Services to maintain services in the sum of £0.796m in 2017/19 rising to £2.114m cumulatively by 2019/20.

### Coroners Service

- 3.3.14 A new and emerging pressure is the cost of the Coroners Service. The number of investigations into cause of death is increasing where individuals are subject to a Deprivation of Liberty Safeguards (DoLS) order under the Mental Health Act 2005. Costs have increased by almost £0.100m in 2016/17 which has been covered on a one off basis. This funding will need to be sustained into 2017/18 with a provision for further expected costs.

### Apprenticeship Levy

- 3.3.15 An additional budget pressure for 2017/18 is the Apprenticeship Levy which is being introduced by Government as a charge to employers with a wage bill of over £3.000m. The aim of the levy is to provide funding for training opportunities for your people. The estimated cost to the Council is £0.400m.

## **3.4 Revised Estimates of Resources Available to Support the Budget**

- 3.4.1 The Council's revenue funding comes through a number of different sources including Council Tax, Business Rates and Central Government support. Estimates of income are explained as follows.

### Business Rates Top Up Grant, Grants in Lieu of Business Rates and Retained Business Rates

- 3.4.2 Following the changes introduced in 2013, the Council retains 49% of the Business Rates it collects (1% is paid to Greater Manchester Fire and Rescue Authority and 50% to the Government). Given Oldham's relatively low Business Rates tax base, the Council receives additional support from Central Government via the Business Rates Top Up grant. The grant as published at the Local Government Finance Settlement has been assumed in this Plan. The Government is currently developing the mechanisms to deliver 100% retention of Business Rates income by Local Authorities before the end of the decade.
- 3.4.3 As part of these efforts, Greater Manchester will be piloting the full local retention of Business Rates from 1 April 2017. The purpose of the pilot is to develop and trial approaches to manage risk and reward. It is hoped the new system will provide a stable funding stream whilst incentivising economic growth. These reforms mean business rates revenues will replace Government grant funding and Councils may be required to take on additional service responsibilities. The operation of the pilot scheme and subsequent reform will be informed by responses to the consultation on Business Rates Retention, the closing date for which was 26 September 2016.
- 3.4.4 In addition to the piloting of full business rates retention, there is an existing local growth pilot scheme operating within Greater Manchester and the Cheshire East region. For 2016/17 to 2019/20, the Plan has not factored in any gain specifically associated with the operation of this particular growth pilot as details of the local share of any gain from growth between the participating authorities have yet to be finalised.
- 3.4.5 Anticipated Business Rates income is based on the Government's own assessment published in the last Local Government Finance Settlement adjusted for local knowledge and experience of collection rates. Top up Grant estimates are assumed to match those published in the Finance Settlement. It is also assumed that the Council will continue to receive the Small Business Rates Relief Grant under the powers of

Section 31 of the Local Government Act 2003. The Council also anticipates receiving the Section 31 Multiplier Cap Grant and other grants in lieu of Business Rates throughout the period covered by the Plan.

#### Revenue Support Grant (RSG)

- 3.4.6 RSG is the largest unringfenced general fund grant that is provided by Central Government. As an unringfenced grant this underpins the provision of all services provided by the Council. RSG estimates are based upon the figures published in the Local Government Finance Settlement. The Plan assumes that RSG will be phased out in full by 2020/21 following the implementation of the 100% Business Rates Retention regime outlined above.

#### Education Services Grant

- 3.4.7 On the 21 July 2016, the Education Secretary issued a written statement on school funding arrangements 2017/18. This statement clarified arrangements for the future of the Education Services Grant. It is expected that the General Funding Rate will end in September 2017 and as such the resources available have been re-assessed.
- 3.4.8 The written statement also confirmed that the Retained Funding Element of the grant would in future be allocated as part of Dedicated Schools Grant. Assuming agreement with Schools Forum, there is the ability to top slice this funding to continue to provide central education functions. Subject to confirmation, this agreement and hence the continuation of funding has been included in future year's forecasts.

#### Improved Better Care Fund Grant

- 3.4.9 The Council has secured additional funding paid as a grant directly to the Local Authority. The Plan assumes funding allocations are in line with those published as part of the previous Local Government Finance Settlement. Part of the allocation is intended to compensate Authorities with a low Council Tax Tax Base that cannot secure full recompense for adult social care pressures from a 2% adult social care precept.
- 3.4.10 An allocation of £0.716m for 2017/18 has been included in the Efficiency Plan increasing to £8.150m by 2019/20. It is assumed for planning purposes that the full improved Better Care Fund allocation will be required to meet additional social care pressures.

#### Other Grants

- 3.4.11 The Council receives other unringfenced grants from Government. Although each of them is aimed at addressing specific issues, they are also used to underpin the general operation of the Council and not specific services. As part of 100% Business Rates retention and associated Local Government finance reforms, the Government is also reviewing the allocation of these resources.
- 3.4.12 The Plan estimates are based on the allocations that have been published as part of the Local Government Finance Settlement alongside supplementary grant allocations paid by Central Government. For 2017/18 to 2019/20 funding estimates are also based on Treasury assumptions covering the whole of the public sector, expert Local Government commentators' advice and local experience and knowledge. These grants are Independent Living Fund (ILF) grant, Housing Benefit and Council Tax Administration Grants and New Homes Bonus.

### Council Tax Income

- 3.4.13 This is the largest single revenue stream that is used to support the Council's revenue budget. Council Tax income changes each year due to changes in the tax-base (increase/decrease in chargeable Band D equivalent properties) and the Council's annual decisions on the level of the tax.
- 3.4.14 The Plan assumes a Tax Base of 54,406 Band D equivalent properties for 2016/17 increasing by around 400 band D equivalent properties per annum to 2019/20 resulting from properties being built, fewer households claiming Council Tax Reduction support and empty properties being brought back into use. Projections for future New Homes Bonus grant are also in line with these tax base projections.
- 3.4.15 A general Council Tax increase of up to 1.99% year on year from 2017/18 to 2019/20 has been assumed in the Plan. It is also assumed that a 2.00% Adult Social Care precept will be levied year on year for the same period. This produces a Council Tax increase of 3.99% per annum between 2017/18 to 2019/20.
- 3.4.16 All increases to Council Tax levels and the Adult Social Care precept are subject to annual review as part of the budget setting process and as such cannot be guaranteed at this time. Should the Council decide against future rises the full financial implications will inform a revised budget gap.
- 3.4.17 No change has been assumed in Parish Precept income as this relies on decisions taken by the Saddleworth and Shaw and Crompton Parish Councils.

### Collection Fund Surplus/Deficit

- 3.4.17 The Collection Fund is assumed to achieve a balanced position in all future years with no surplus or deficit anticipated.

## **3.5 Other planning assumptions**

- 3.5.1 Other assumptions impacting on the Plan are outlined below:

- Ringfenced grants will be used for the purpose intended. These include Public Health Grant, Housing Benefit Subsidy and Dedicated Schools Grant (for the purposes of the Efficiency Plan it is assumed that all eligible expenditure will be met from this grant and any surplus or deficit from schools will be met from their own school balances). Ring-fenced grant assumptions are based on the allocations that have been notified by the funding body.
- Pensions and redundancy costs will have to be met directly from revenue funds (there will be no capitalisation opportunities).
- General Balances and reserves are managed on a risk based approach as outlined in Statement of the Chief Financial Officer on Reserves, Robustness of the Estimates and Affordability and Prudence of Capital Investments.
- The Housing Revenue Account continues to operate within the self-financing regime for the two PFI schemes and any surplus or deficit is financed via the Housing Revenue Account Reserve.

## Local Council Tax Reduction Scheme

- 3.5.2 Running parallel to the budget process but with direct links to future available funding is a review of the Local Council Tax Reduction Scheme. An options report with full financial implications will be presented to Council on 14 December 2016 and any variation from the current scheme will impact on the budget assumptions. At this stage a neutral position is assumed.

### **3.6 Revised Budget Reduction Requirement**

- 3.6.1 Using the revised assumptions and information contained in this Plan, the budget gap for 2017/18 has reduced by £0.149m to £20.315m after allowing for the impact of 2016/17 budget proposals.

- 3.6.2 The revised assumptions for the period 2017/18 to 2019/20 are presented in the table below and may be summarised as:

- Revisions to Estimates

This relates to the recently approved change to the Minimum Revenue Provision Policy (MRP) and the rebasing of estimates taking account of more up to date information for 2017/18, with regard to pension contributions, price inflation and the expected transport levy.

- Additional Budget Pressures /Resilience Issues

Recognising the continuing and increasing demand on both adults and children's social care services as highlighted in the month 3 monitoring report approved by Cabinet on 22 August 2016, and being mindful of Council responsibilities, a budget pressure of £3.000m has been added to the estimates. Particularly with regard to adult social care, the position in Oldham is reflecting a national trend as has been highlighted in a recent report from the Association of Directors of Social Services which indicated that Local Authorities nationally are facing increased funding pressures for as resources do not meet the demand led needs.

The Plan has outlined the reduction in Government funding for Public Health Services impacting on 2016/17 and continuing into future years. The Council is allocating mainstream resources to offset the reduction in grant.

- Changes to Funding

As outlined in the Plan, the recent Government announcement regarding the revision to the allocation of Education Services Grant has resulted in a £1.362m reduction of the expected grant level.

The estimate for Business Rates has been updated in line with Government information and Council Tax income reflects the expected Tax Base.



<b>Budget Gap Revisions</b>	<b>2017/18 £000</b>	<b>2018/19 £000</b>	<b>2019/20 £000</b>
<b>Budget Gap as at 24 February 2016</b>	<b>20,464</b>	<b>37,164</b>	<b>51,666</b>
<b>Revisions to Estimates</b>			
- Revision to MRP Policy	(2,522)	(2,312)	(2,110)
- Pension contributions	(812)	(2,143)	(3,467)
- Price Inflation	(400)	(1,000)	(1,500)
- Business Plan		(750)	(1,750)
- GMCA Transport Levy	317	640	970
<b>Additional Budget Pressures/Resilience Issues</b>			
- Social Care	3,000	3,000	3,000
- Public Health - offset to grant reduction	796	1,247	1,686
<b>Changes to Funding</b>			
- Reduced Anticipated Education Services Grant	1,362	1,700	1,576
- Activity Transferring to Dedicated Schools Grant	(362)	(620)	(620)
- Business Rates Revenues Revision	(1,233)	(2,178)	(3,233)
- Council Tax Tax base Increase	(125)	(353)	(675)
- New Homes Bonus Grant Revision	59	(152)	(129)
<b>Revised Budget Gap</b>	<b>20,544</b>	<b>34,243</b>	<b>45,414</b>
2017/18 Impact of 2016/17 Budget Reductions	(229)	(229)	(229)
<b>Gap Remaining</b>	<b>20,315</b>	<b>34,014</b>	<b>45,185</b>
<i>Reduction in Budget Gap</i>	<i>149</i>	<i>3,150</i>	<i>6,481</i>

3.6.2 There is still the opportunity for these figures to be revised. In addition to local decision making, more detailed funding information will be issued by Government and levying bodies. The figures included in this Plan will therefore be revised as the budget process progresses and as the Councils Medium Term Financial Strategy for the period 2017/18 to 2019/20 develops. An overall summary of the Council's revenue budget forecast for 2016/17 to 2019/20 is set out in the following table:

Estimated revenue position 2016/17 to 2019/20	2016/17 £000	2017/18 £000	2018/19 £000	2019/20 £000
<b>Agreed Base Position</b>	<b>207,412</b>	<b>207,412</b>	<b>207,412</b>	<b>207,412</b>
Adjustment for One Off Changes in 2016/17	(11,417)	(11,417)	(11,417)	(11,417)
Full year effect of 16/17 Policy Changes	(2,283)	(4,645)	(4,266)	(3,956)
Activity transferring to the Dedicated Schools Grant		(362)	(620)	(620)
<b>Revised Base Position</b>	<b>193,712</b>	<b>190,988</b>	<b>191,109</b>	<b>191,419</b>
<b>Additional Expenditure Pressures for 2017/18 and future years</b>				
- Pensions	263	925	1,594	2,270
- Pay Award	950	1,950	2,970	4,010
- Inflation	1,110	2,590	3,907	5,363
- Investment Fund	0	1,682	3,978	5,978
- Business Plan	1,005	1,605	2,605	3,605
- Levies - Waste	0	1,732	3,113	3,603
- Levies - Transport	0	317	640	970
- End of Change to Terms and Conditions	0	2,000	2,000	2,000
- Social Care Demand	0	3,000	3,000	3,000
- Adults Social Care - Impact of NLW	2,700	5,145	7,612	9,857
- Other Social Care Pressures - Care Act 2014	0	716	4,687	8,150
- Support for Public Health Services	0	796	1,247	1,686
- Coroners Service	100	350	350	350
- Apprentice Levy	0	400	400	400
<b>On-going impact of Other Budget Pressures from 2016/17</b>	<b>6,527</b>	<b>6,346</b>	<b>6,346</b>	<b>6,346</b>
<b>Budget Resilience Total</b>	<b>12,655</b>	<b>29,554</b>	<b>44,449</b>	<b>57,588</b>
Agreed Budget Reductions	(15,714)	(15,714)	(15,714)	(15,714)
<b>Total Expenditure</b>	<b>190,653</b>	<b>204,828</b>	<b>219,844</b>	<b>233,293</b>
<b>Funded By:</b>				
<b>Government Grant</b>				
- Business Rates Top Up	30,237	30,832	31,741	32,756
- Grants in Lieu of Business Rates	2,474	2,447	2,519	2,600
- Revenue Support Grant	40,543	30,428	23,600	16,701
- Education Services Grant	2,505	972	0	0
- Improved Better Care Fund Grant	0	716	4,687	8,150
- Independent Living Fund (ILF) Grant	2,841	2,748	2,661	2,580
- Housing Benefit Administration Grant	1,056	785	392	98
- Council Tax Administration Grant	330	297	267	241
- New Homes Bonus	2,767	2,641	2,552	2,529
- SEND Grant	181	0	0	0
<b>Total Government Grant Funding</b>	<b>82,934</b>	<b>71,866</b>	<b>68,419</b>	<b>65,655</b>
<b>Locally Generated Income</b>				
- Retained Business Rates	28,360	29,620	30,493	31,468
- Council Tax Income	77,073	79,195	81,405	83,703
- Adult Social Care Precept	1,515	3,108	4,789	6,558
- Parish Precepts	245	245	245	245
- Collection Fund Surplus	196	0	0	0
<b>Total Locally Generated Income</b>	<b>107,389</b>	<b>112,168</b>	<b>116,932</b>	<b>121,974</b>
<b>Revised Budget Funding</b>	<b>190,323</b>	<b>184,034</b>	<b>185,351</b>	<b>187,629</b>
Approved Use of Reserves	(330)	(250)	(250)	(250)
<b>Net Gap/Budget Reduction Requirement</b>	<b>0</b>	<b>20,544</b>	<b>34,243</b>	<b>45,414</b>
2017/18 Impact of 2016/17 Budget Reductions	0	(229)	(229)	(229)
<b>Gap Remaining</b>	<b>0</b>	<b>20,315</b>	<b>34,014</b>	<b>45,185</b>

## 4 Budget Timeline for 2017/18 and 2018/19

- 4.1 Following on from the successful processes adopted in previous years, the Council is addressing the budget for 2017/18 and 2018/19 as a two year exercise. Using the forum of Leadership Star Chamber, a start has already been made to consider the budget challenges being faced and initial ideas of how the budget gap for 2017/18 and 2018/19 might be met.
- 4.2 Proposals are developed in two stages comprising an outline or scoping stage and then a more detailed proposal.
- 4.3 The timelines for developing saving proposals and their approval is shown below. Initial public and staff consultation will take place over the period September to December 2016, with detailed consultation on specific proposals as required and in accordance with Equality Impact Assessments.
- 4.4 A first round of proposals will be prepared for scrutiny on 10 November 2016. Those recommended for approval will be considered by Cabinet in early December and be presented for formal approval by Council in December 2016, thereby allowing immediate implementation. A second round of proposals will be presented for scrutiny in January 2017 and subject to comments arising from the scrutiny and consultation processes, will be approved at the Budget Council meeting on 1 March 2017. Any further consultation required will take place in the period up to the final Budget Council meeting. A summary of the timetable is set out in the table below:

Dates	Actions Required
<b>Round 1 Budget Proposals</b>	
July to September 2016	Development of savings proposals
September to December 2016	Initial Public Consultation and engagement with Staff and Trade Unions
10 November 2016	Scrutiny of budget reduction requirement and proposals by the Performance and Value for Money Overview and Scrutiny Select Committee (PVFM)
5 December 2016	Cabinet considers the budget position and budget proposals and makes recommendations to Council Meeting
14 December 2016	Council Meeting – consideration of the current budget position and where appropriate, approval of budget reduction proposals
<b>Round 2 Budget Proposals</b>	
September to December 2016	Continued development of savings proposals
November 2016 to February 2017	Public consultation and engagement with Staff and Trades Unions
26 January 2017	Scrutiny of final budget position and budget proposals by PVFM
20 February 2017	Review of final budget position and budget proposals by Cabinet and recommendations to Council
1 March 2017	Budget Council Meeting - approval of final budget position, budget proposals and the setting of Council Tax

## 5 Short and Medium Term Plans to Balance the Budget

### 5.1 Approach to Identifying Efficiencies and Savings

- 5.1.1 As highlighted throughout this Plan, the Council has had to make significant savings since the beginning of the Government's spending reduction programme. The response to the reduction in resources has been tackled in a coordinated and measured way enabling there to be a detailed understanding of the implications of the changes that have been required. Action has been taken to, where possible; mitigate impact on the citizens of Oldham and the Councils workforce.
- 5.1.2 The Council has already had to change the shape of the organisation, streamline and in some cases reduce service delivery, facilitate more efficient ways of working and take decision to prioritise scarce resources. These processes cannot stop whilst the funding available to the Council continues to reduce.
- 5.1.3 Working to the timeline outlined in Section four, the Council will prepare a two year budget for 2017/18 and 2018/19. It will also have regard to the continued requirement for savings in 2019/20 and hence seek to lay the foundations for longer term efficiencies.
- 5.1.4 In this regard, transformational approaches to the delivery of services that work in partnership with citizens are essential. The Council will significantly reconfigure its business and organisational arrangements over the next few years in order to continue to provide value for public money services. The financial challenges faced mean the Council's response must be more ambitious than simply applying percentage reductions across services.
- 5.1.5 As a Co-operative Council, services are being re-designed and innovative commissioning models developed to ensure that all services, whether delivered in-house or with partners, provide excellent and improving value for public money getting the maximum impact for Oldham and its people for every pound spent. The Council is being organised in a way that enables it to meet the challenges from Central Government whilst also delivering the Administration's priorities.

### 5.2 Key Areas for Review

- 5.2.1 The key themes that will be addressed over the budget setting process develop many of those applied for 2016/17 and in earlier years and are as follows:

#### Health and Social Care Devolution

- 5.2.2 As outlined throughout this Plan, the opportunities afforded by health and social care devolution will be the most significant driver of change and cost savings. The Council has prepared its Locality Plan with health partners to include Adult Social Care, Children's Social Care and Public Health Services. By working with colleagues in the CCG and health provider organisations around an agenda for integration, budgets can be aligned and services streamlined to increase efficiency and reduce costs whilst providing improved and joined up services.
- 5.2.3 Integration in Oldham is being driven jointly with Oldham CCG. Both stakeholders will be required to make binding commitments around funding and financial support and key issues are being worked through prior to any agreement.

- 5.2.4 Work is currently taking place to bid for Transformation Funding as it is recognised that there is an invest to save requirement with some double running of services whilst change is achieved. Efficiencies will emerge from new ways of working from 2017/18 but significant savings are not expected until 2018/19.

#### Wider Impact of Devolution

- 5.2.5 As the devolution agenda develops and the GMCA assumes a leading role in more service areas, there may be opportunities from joint commissioning approaches. This will be explored.
- 5.2.6 In addition, as Councils begin to work together even more closely; more opportunities for shared service provision will be identified building on work already in train. This will cover support services as well as services being directly delivered to the public.
- 5.2.7 Again, it is likely to take time to develop such opportunities and significant savings are not likely to be achieved until at least 2018/19.

#### Early Help

- 5.2.8 Early help in Oldham is a key delivery function designed to meet the public sector reform agenda. The delivery model is rooted in services working with residents to gain control of their lives so they are not reliant on public services. Working with communities in different and challenging ways with public services recognising and believing residents are best placed to find their own solutions and become resilient, reduces the need for costly public services. The greater part of Early Help is delivered by the voluntary sector with a key focus on locality delivery and growing grass roots networks that can become self-supporting. In order to do this residents are actively involved in planning to understand what works and to take decisions at a local level.
- 5.2.9 Benefits from such a significant shift in approach will be realised over the medium term. The Council has provided investment from one off resources, allowing for the transition in working practices and attitudes to become established. It is expected that savings will come to fruition from 2018/19 onwards.

#### Use of New Technology

- 5.2.10 The opportunity to utilise the advantages provided by new technology is the foundation upon which much of the change agenda will be driven including integrated working from health and social care devolution and early help initiatives. The development of the Councils ICT strategy is determining the direction of travel. Investment proposals supported by a business case are enabling new and more efficient ways of working and improving citizens' access to Council services. It also improves the business intelligence supporting service delivery decisions. Major programmes of work that are already in train that will contribute to efficiencies and savings are the:
- Resident First Programme that is enabling more web based functionality for Oldham citizens such as payment of Council Tax on line. This not only speeds up the process for the service user but creates efficiencies as staff can be deployed to address more complex cases at an earlier stage.
  - A1 HR/Payroll integration which will align HR/Payroll functionality with the Agresso financial system. This will improve processes, bring efficiencies, improve the availability of management information and drive self service.

- Framework-I programme including the implementation of a new social care case management system to provide consolidated client activity and contact information. This enables efficient service delivery and enhances the Councils work with vulnerable adults, young people, children and their families and carers.

#### Review of Corporate Priorities

5.2.11 During the rest of 2016/17 there will be a review of corporate priority projects, especially those capital schemes planned for 2017/18 which have yet to start. The Council has a well-established practice of undertaking an annual review of schemes in the capital programme (the summer review). The same process will be applied to revenue programmes. This will ensure that, given the ambitions of the Council and its co-operative agenda, consideration will be given to which projects should still be supported. This may lead to the reallocation of resources or the removal of some programmes of activity thus generating financial savings.

#### Service Review

5.2.12 As a matter of course, all services are required to review their operational arrangements and identify efficiencies that can be included as budget reduction proposals. Services will be expected to deliver savings for 2017/18 and future years. However, some specific areas will be subject to particular scrutiny. These are:

- Traded services - there is a review of all the Councils services that trade with external customers to ensure that it is appropriate to continue to offer the service and that income is being maximised. A key element of the review is an examination of cost base, charges and income trends and contributions to Council overheads.
- Central support functions - a review will ensure that these functions provide what the organisation needs at a proportionate cost. It will seek to drive out any duplication, inefficiencies and ensure that best practice techniques are applied (if not already present).

#### Contract Review

5.2.13 The Council has a wide range of contractual arrangements. Working through the Councils Procurement Team, contracts will be reviewed so that the best and most advantageous deals are negotiated for the Council. All contract management arrangements will also be reviewed to confirm best practice is being applied.

#### Property and Commercial Investment

5.2.14 There will be a further review of the Council's property holdings with the aim of reducing operating costs including the consideration of co-location with other public sector organisations. The opportunities for generating additional capital receipts will also be explored. A new approach to property will also be taken forward with the identification of prospects for generating greater returns and regeneration benefits from investment property holdings.

### Partnership Working

5.2.15 The Council has extensive experience of working with a range of partners to reduce the cost of providing services commissioned through contracts and partnership arrangements. Existing relationships will be enhanced and new ones forged in order to work more efficiently and effectively and improve value for money outcomes. Options, including a Joint Venture Company creation will be examined.

### Developing the Co-operative Agenda

5.2.16 The Council's ambition is to see the citizens of Oldham become less reliant on public services and take more responsibility for their own lives. As outlined above, investment in ICT so services can be accessed on line is an important part of this strategy. Investment in awareness and prevention programmes and taking a neighbourhood approach is also designed drive costs from the system. Modest benefits are expected but this is nonetheless a key area of the Councils focus.

### Income Generation

5.2.17 The Council will review its charging policy to see if there are any areas for additional income generation. This may include introducing charges for services, increasing fees and charges or reducing charges if it was considered that this would stimulate demand and boost profitability.

### Regeneration Agenda

5.2.18 As advised earlier, the Council has embarked on a programme of social and physical regeneration. Land is being made available to support development – either house building or industrial/commercial development. This in turn will increase Council Tax and Business Rates income and increase the Councils ability to rely on its own sources of income as grant support is reduced and 100% Business Rates retention is introduced.

### Council Tax and Business Rates Income

5.2.19 The Council is investing in improvements to the collection of both Council Tax and Business Rates through ICT development as well as modernising working practices. This will not only speed up the receipt of income and reduce the level of follow up required. It will also improve the customer experience.

### Bids for External Funding

5.2.20 The Council will aim to maximise external funding for both revenue and capital projects to supplement investment by the Council in priority areas. The new funding streams available for health and social care funding will provide opportunities not previously available together with funding from the GMCA to support regional programmes including transport and housing initiatives.

### Treasury Management

5.2.21 The Council will review opportunities for treasury management savings by looking at different investment products and returns and reviewing existing borrowing and financing arrangements to renegotiate terms where possible.

## Reserves and Balances

5.2.22 The Council assesses its reserves and balances position and takes a risk based approach to the assessment of the required levels with a report to every budget Council meeting setting out the recommended position. In preparing the budget for 2017/18 and future years, there will be a review of reserves and balances and, as appropriate, the application of any reserves and balances, particularly to support transformational approaches to service delivery which can take time to develop and phase in. The Council's overarching approach to managing reserves is set out in its reserves policy which is designed to ensure that resources are linked to specific projects and/or policies including facilitating the delivery of further savings and mitigating financial risk.

## Flexible use of Capital Receipts

5.2.23 The Government now allows flexibility to use capital receipts for qualifying revenue expenditure but this use must be signalled in this Plan and approved by the full Council meeting.

5.1.24 Whilst Oldham Council would like to take advantage of these new flexibilities, at this time the Council has already committed all of its available and anticipated capital receipts to support capital programme investment.

5.1.25 This Plan assumes no use of capital receipts for revenue expenditure, however the position may change, and there may be a wish to take advantage of this flexibility in future. If so, this will be included in a future budget report or MTFs and the DCLG will be advised accordingly.



## 6 Financial Resilience

- 6.1 In order to monitor the present and future financial risks for the Council, a Finance Risk Register is prepared and updated on a regular basis. This highlights the on-going challenge to the Council in delivering a balanced budget with reducing Central Government funding.
- 6.2 In order to support the production of the annual budget, the Council has adopted a system of assessing the annual level of general balances on the basis of risk. This is a key process that ensures the Council has a contingency to meet unforeseen or unplanned costs including the non-delivery of efficiency related budget reductions and that the Council is financially resilient.
- 6.3 In order for the Council to continue operating on an on-going basis it needs to demonstrate that it is financially resilient. Essentially this means ensuring it can continue to fund its day to day business by:
- Effective financial planning that delivers a balanced budget year on year;
  - Tackling any areas of overspending to ensure the problem is managed in year with no unforeseen longer term consequences;
  - Maintaining earmarked reserves to meet known commitments and a level of appropriate general balances assessed on the basis of financial risk;
  - Closing its accounts in a prompt manner to determine the final outturn position providing the Council with more time to address any variances in the new financial year;
  - Managing decision making in accordance with Councils procedures and protocols ensuring that financial consequences and any risks are highlighted in advance of any decision and the impacts are clear to decision makers; and
  - Using reserves to support the budget in a controlled manner.

It is the role of the Director of Finance to manage financial resilience.

- 6.4 The External Auditor commented on the financial resilience of the Council in the Audit Findings report prepared to support the 2015/16 accounts (prior to the revision of the budget gap) stating:

*The Council has set a balanced revenue budget for 2016/17 together with budget plans for 2017/18, within a five year Medium Term Financial Strategy to 2020/21. The Council has identified a savings target of £20.4m for 2017/18 and a further savings requirement of £43.1m for the three years 2018/19 to 2020/21. The Council has demonstrated a robust planning process and challenge of expenditure assumptions. This together with the quality of reporting and high level of scrutiny means the Council is well positioned to tackle the financial risks facing it in the medium term. We do not have any significant concerns arising from our review of the Council's financial planning processes which form part of its arrangements for delivering economy efficiency and effectiveness.*

In the light of these comments, the Council can therefore have confidence in the robustness of its financial resilience and financial planning arrangements.

## 7 Conclusion

- 7.1 It is evident that the Council has a significant financial challenge over the period 2017/18 to 2019/20. However, this is a position that the Council has faced before, although year on year it becomes a harder test.
- 7.2 Section five of the document sets out how the Council will meet its financial challenges. It will not be easy and some difficult choices will be required. However, the Council is financially resilient and so can continue to pursue its co-operative ambition, delivering services that are valued by the citizens of Oldham and taking the opportunities arising from the devolution agenda.
- 7.3 The vision for Oldham set out in the Councils Corporate Plan is '*to be a place of ambition where people and communities flourish.*' This Efficiency Plan shows how the Council will achieve its vision.

## 8 Supporting Documents

### 8.1 Oldham Council Corporate Plan

[http://www.oldham.gov.uk/downloads/file/3736/corporate\\_plan\\_2015](http://www.oldham.gov.uk/downloads/file/3736/corporate_plan_2015)

### 8.2 Budget Report November 2015

<http://committees.oldham.gov.uk/documents/b18156/Budget%20Proposals%20201617%20and%20201718%20Tranche%201%2004th-Nov-2015%2018.00%20Council.pdf?T=9>

### 8.3 Budget Report December 2015

<http://committees.oldham.gov.uk/mgAi.aspx?ID=20823#mgDocuments>

### 8.4 Budget Report February 2016

<http://committees.oldham.gov.uk/documents/s66423/5.%20Budget%20Report%202016-17%20-%20Council.pdf>

### 8.5 Medium Term Financial Strategy February 2016

<http://committees.oldham.gov.uk/documents/s66440/7a.%20MTFS%20Appendix%201%20-%202016-17%20-%20Council.pdf>

### 8.6 Balances Report February 2016

<http://committees.oldham.gov.uk/documents/s66422/4.%20Balances%20Report%202016-17%20-%20Council.pdf>