

Report to Council

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

Portfolio Holder: Cllr Abdul Jabbar, Deputy Leader and Cabinet Member for Finance and HR

Officer Contact: Anne Ryans, Director of Finance

Report Author: Anne Ryans, Director of Finance
Ext. 4902

1 March 2017

Reason for Decision

To provide Council with an update regarding the Final Local Government Finance Settlement published on the evening of 20 February 2017 and to set out the position with regard to the Council's forecast Budget Gap for 2017/18 to 2020/21.

Executive Summary

This report advises Council of the key financial challenges and issues which will be faced by the Council over the period 2017/18 to 2020/21 covered by the Medium Term Financial Strategy (MTFS).

The report describes the national and regional policy landscape within which the Council operates 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 introduction of 100% Business Rates retention and changes related to education and early years funding. Information is also provided on the Devolution Agenda including Health and Social Care Integration, changes to the Better Care Fund, Welfare Reform and the potential implications of the UK's withdrawal from the EU. The report also sets out the arrangements for participating in Business Rates Pooling and the Greater Manchester 100% Rates Retention Pilot Scheme from 1 April 2017.

The report also summarises the 2016/17 revenue budget forecast outturn position and the financial impact of the budget reductions that were approved by Council on 14 December 2016. Section 9 of the report summarises the budget pressures underpinning the forecasts that provide the backdrop for the Council's Medium Term Financial Strategy.

Members will recall that the Provisional Local Government Finance Settlement was received on 15 December 2016. Section 10 of the report now reflects information contained in the Final Local Government Finance Settlement published on the evening of 20 February 2017. There was a small reduction of £0.003m between the resources notified to the Council in December and those included in the Final Settlement. Section 10 also includes details of any specific funding announcements published since the previous update report to Council on 14 December 2016. The Final Settlement reflects the Government's multi-year settlement offer in relation to funding for 2016/17 to 2019/20 that was confirmed to the Council on 16 November 2016. Members are reminded that the Council secured this offer by preparing and submitting an Efficiency Plan to Government on 29 September 2016 (after Cabinet approval).

Following the approval of Phase 1 budget reduction proposals presented to Council on 14 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.

This report updates the budget gap position to take account of the Final Settlement and associated funding announcements. A review of all estimates and assumptions underpinning the forecasts has also been carried out to take account of the latest reported outturn position for 2016/17 and any developments that have occurred since the previous report to Council on 14 December 2016. As a result, the remaining budget gap for 2017/18 is now reported as being £8.837m rising cumulatively to £24.080m for 2018/19, £31.289m for 2019/20 and £40.715m for 2020/21. These updated figures represent 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 Administration's proposals in this regard are set out in another report (elsewhere on the agenda).

Finally, Council is advised that plans to pilot full business rates retention within Greater Manchester carry implications for some of the grant allocations notified in and alongside the Final Local Government Finance Settlement. Whilst there are no implications for the budget gap estimates, participation in the pilot means it has been necessary to introduce some presentational changes to the budget estimates disclosed in this report. These changes are explained at paragraph 10.18 of the report.

The Overview and Scrutiny Performance and Value for Money Select Committee, at its meeting on 26 January 2017 scrutinised the report presenting the 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. The Select Committee was content to commend the report to Cabinet. Cabinet duly considered the report at its meeting of 20 February 2017 and commended the report to Council for approval.

Recommendations

That Council approves:

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;
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;
3. The financial forecasts for 2017/18 to 2020/21 having regard to the Final Local Government Finance Settlement and associated funding announcements resulting in budget gap estimates of £8.837m for 2017/18 rising cumulatively to £24.080m for 2018/19, £31.289m for 2019/20 and £40.715m for 2020/21; and
4. The key issues to be addressed in continuing to respond to the financial challenges facing the Council.

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**1 Background**

- 1.1 Each year, the Council has to identify what it needs to spend on Council services for the following year as part of the budget setting process. This process also involves the identification of provisional spending plans for future financial years. This ensures the Council's future spending plans are balanced against the expected funding from Government, Council Tax payers and Business Rate payers. These plans form part of the Council's Medium Term Financial Strategy (MTFS). This report advises Members of the current position following Council approval of Phase 1 budget reduction proposals on 14 December 2016, publication of the Final Local Government Finance Settlement late on the evening of 20 February 2017, associated funding announcements and the budget scrutiny meeting which took place on 26 January 2017. Cabinet also considered the matters covered in this report at its meeting of 20 February 2017 and commended the report to Council for approval. These estimates also take account of the latest reported outturn position for 2016/17 and any further developments that have occurred since the previous report to Council.
- 1.2 The MTFS is designed to build on the work and achievements of previous years and to help meet the challenges of the future. It is one of the key strategic plans of the Council. Mirroring the Government's own planning timeframes up to the next General Election in 2020, the strategy sets out the Council's proposed revenue spending plans for the next four years and the key factors which will influence the financial forecasts.
- 1.3 At the same time as considering the financial challenges facing the Council it is important to consider the Council's commitment to the co-operative way of working. Based on a set of values and the principle of enabling and motivating everyone to "do their bit", this shapes and influences the policy direction of the Council and its response to the financial challenges.
- 1.4 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.
- 1.5 Additionally, Council services are being re-designed and innovative, alternative commissioning models developed to ensure that all our 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 organising itself in a way that enables it to meet the challenges from Central Government whilst also delivering the Administration's priorities. It is important to note that there is currently a significant amount of work taking place to refocus the priorities of the Administration and set the compass for the next period of co-operative working.
- 1.6 The Council's ambition though is for a co-operative future where everyone does their bit to create a confident and ambitious borough. The Council is now five years into this long-term

ambition and, having established the co-operative Council ethos within the organisation; it is now focused on working towards a co-operative borough.

1.7 This means that 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.

1.8 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.

1.9 The three corporate objectives set out below focus the activity of the Council in delivering its ambition:

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

1.10 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 a co-operative borough. As mentioned at paragraph 1.5, the re-setting of priorities and the development of the next period of co-operative working will subsequently require a review of the corporate ambition, objectives and outcomes. It is not anticipated that there will be a significant shift in direction and it is clear that commitment to the co-operative borough will remain. The review will be more of a refocus and further embedding of the co-operative approach alongside public service reform.

1.11 Working towards achieving its corporate objectives and in spite of the significant budget reduction targets, the Council has prioritised and invested in physical and social regeneration. As a consequence, there have been some significant positive outcomes in the borough even though these are challenging times.

1.12 The Council has developed an exciting portfolio of opportunities demonstrating Oldham is open for business by using its own resources to attract and secure significant additional investment in the borough's amenities. The Council has:

- 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. This facility opened on Friday 21 October 2016 with a spectacular gala evening attended by thousands of Oldhamers;
- Continued to push forward the flagship "Get Oldham Working" campaign which has seen local employers provide a total of 5,243 jobs, apprenticeship and trainee opportunities to local people since its launch in March 2013;
- Supported the creation of an Independent Quarter in the town centre, approving 100 grant applications to assist businesses and attracted 24 new businesses to locate there resulting in an additional 150 jobs;
- Opened new sports centres, in Royton and Oldham both of which are successful. They are not only enjoyed by users of the facilities but also make a positive contribution to the Public Health agenda and the personal wellbeing of the residents of the borough.

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- 1.13 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.
- 1.14 A number of key stakeholders are integral to supporting the Council in providing services. Appendix 1 summarises the impact of the financial planning process on these key stakeholders.

2 Medium Term Financial Strategy (MTFS)

2.1 This report and others (elsewhere on the agenda) represent the Council's MTFS for the period 2017/18 to 2020/21. These reports form a core part of the Council's strategic framework and have a vital role to play in enabling the translation of the Council's ambition and priorities into action. Each report represents a distinct element of the Council's MTFS and includes:

- The Capital Strategy and Capital Programme setting out the Council's investment ambitions and priorities for the medium term.
- Strategic Housing Revenue Account (HRA) estimates detailing financial forecasts for the medium term as well as setting the HRA budget, rent levels and service charges for the year ahead.
- This report setting out the national and regional policy landscape as well as specific issues that underpin the revenue budget estimates including details of the Final Local Government Finance Settlement.
- The revenue budget and Council Tax levels that will be determined by Budget Council on 1 March 2017.
- The Treasury Management Strategy Statement for the year ahead, including a Minimum Revenue Provision Policy Statement, Annual Investment Strategy as well as the approval of a suite of prudential indicators.

2.2 Each element of the MTFS considers:

- Relevant international, national and regional influences on Oldham Council.
- Local factors which influence policy within the Council including the Administration's priority of regenerating the borough and creating jobs.
- The impact of Government policy and associated announcements.
- Key Council policy areas.

2.3 This remains a challenging time for Local Government. Funding for the Local Government sector is set to decrease further and Councils such as Oldham that remain heavily reliant on Government funding have been especially hard hit by these reductions.

2.4 The purpose of the MTFS is:

“To identify how the Council wishes to structure and manage available resources over the medium term (four years) and to ensure that resource allocation is aligned with and supports Council priorities and objectives contained within the Corporate Plan.”

2.5 The MTFS is an assessment of the Council's current financial position and a determination of the financial position the Council wishes to be in over the medium term, the four years 2017/18 to 2020/21, given the environment the Council operates in and its ambitions. In this way the Council not only secures the delivery of essential public services in the present, but also makes sure it is in a sustainable position to do so over the medium term and beyond.

2.6 Although the MTFs is presented as a suite of separate reports, there is recognition of cross-cutting implications where decisions relating to one element of the strategy have implications elsewhere. For example, capital investment decisions may carry revenue budget implications in terms of operating, maintenance or debt servicing costs. Similarly, capital investment financed by borrowing carries implications for Treasury Management as well as implications for the revenue budget.

3 National and Regional Policy Landscape

3.1 The forecasts in this report are 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 duties and responsibilities. These shape the operational and financial environment of the Council as well as its approach to addressing financial challenges.

3.2 Recent key changes and forthcoming developments in the national and regional policy landscape are intertwined; particularly those driven by the devolution agenda. The policy areas which the Council must have regard and respond to are set out in the remainder of this section of the report.

National Political Change

3.3 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 referendum vote to leave the European Union (EU). The result 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 has signalled the approach to addressing the full economic, political and social implications of leaving the EU. This position in relation to “Brexit” continues to change on almost a daily basis.

Economic Outlook

3.4 The latest prospects for the UK economy and public finances were set out in the Chancellor’s Autumn Statement of 23 November 2016. The EU referendum result has added to economic uncertainty and as a result the Office for Budget Responsibility has downgraded economic growth forecasts for 2017 and 2018. The following table shows the latest UK economic growth forecast compared to that announced in the Budget (March 2016).

	2016 %	2017 %	2018 %	2019 %	2020 %
Mar-16	2.0	2.2	2.1	2.1	2.1
Nov-16	2.1	1.4	1.7	2.1	2.1
Change	0.1	(0.8)	(0.4)	0.0	0.0

3.5 The Autumn Statement also indicated that inflation is rising due to international increases in fuel prices and post-referendum sterling depreciation. Inflation is expected to reach 2% in 2017 and remain at that level for the remainder of the Parliament.

3.6 With regard to Government borrowing, the following table shows the public sector net borrowing forecasts compared to those announced in the Budget (March 2016).

	2016/17 £bn	2017/18 £bn	2018/19 £bn	2019/20 £bn	2020/21 £bn
Mar-16	55.5	38.8	21.4	(10.4)	(11.0)
Nov-16	68.2	59.0	46.5	21.9	20.7
Change	12.7	20.2	25.1	32.3	31.7

3.7 The expected increases in borrowing compared to the March 2016 budget statement which assumed surpluses in 2019/20 and 2020/21 are based on a combination of:

- Lower Income Tax and National Insurance Contribution receipts;
- Increased spending on Personal Independence Payments and the roll out of Universal Credit; and
- Classification changes in relation to the accounting treatment of corporation tax payments and non-England housing associations.

3.8 The Chancellor also confirmed that the Government is committed to the overall plans for departmental resource spending set out at the Spending Review 2015 which informed the Local Government Finance Settlement (see Section 10 below).

3.9 It was also confirmed that the intention is to increase departmental spending in line with inflation in 2020/21 (as set out in the Budget 2016) and to continue this inflationary increase for 2021/22.

3.10 The 2016 Budget stated that the Government intended to identify £3.5bn of efficiency savings in 2019/20. This intention remains and whilst a progress report is not expected until autumn 2017 there is the likelihood that Local Government will bear a share of any reduction in spending.

Local Government Finance Legislation

3.11 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 (DCLG) and the Local Government sector (through the Local Government Association). 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. Greater Manchester Authorities will be piloting 100% Business Rates Retention from April 2017. To support 100% Business Rates retention and associated reforms, the Government introduced a new Local Government Finance Bill to Parliament on 13 January 2017.

Welfare Reform

3.12 The Welfare Reform Act 2012 introduced fundamental changes to the social security benefit system. Universal Credit (UC) is 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 was one of the first Local Authorities to phase in UC. The UC digital solution (known as Universal Credit full service) will now be rolled out in Oldham from April 2017, allowing

all new claims for universal credit and significant changes in circumstances to be migrated to UC. The full service operates on a different IT platform from the current UC live service and enables customers to make their claims online, submit changes of circumstances, check on the live progress of their claim, message their work coach and make appointments. Changes to the Housing Benefit regime introduced from 2016 will continue to impact on those who have not yet transferred to UC. These changes (set out below) will reduce financial support to those who qualify for assistance:

- Limiting Backdating of Housing Benefit to one month (previously this was six months);
- Removal of the Family Premium for all new claimants;
- Changes to the temporary absence rule. This limits Housing Benefit and Pension credit payment to one month, where previously it was awarded for 13 weeks. This amendment is to align Housing Benefit with Universal Credit Legislation for those who are travelling abroad. This change became effective from 28 July 2016;
- In households with two or more children, if any subsequent children are born after April 2017, the household will no longer be eligible for further support;
- Changes to Universal Credit 'in-work allowances' which have reduced the number of work allowances from seven down to two. This means claimants will have less income creating increased demand for Council Tax reduction; and
- From 7 November 2016, the government introduced a revised limit (benefit cap) on the amount of benefit that most people aged 16 – 64 can receive. The maximum amount of out-of-work benefit working-age families can receive will be £20,000. All households which include someone entitled to Guardian's Allowance, Carer's Allowance or an award of Universal Credit which includes the carer's element will be exempt from the cap.

3.13 The Autumn Statement delivered by Chancellor Phillip Hammond on 23 November 2016 included a number of announcements relating to welfare provision including:

- A reduction in the taper for withdrawal of Universal Credit when working from 65% to 63%. This means a person will now keep 37p for every £1 from April 2017 instead of the current 35p;
- A one-year delay in the implementation of the proposed cap on Housing Benefit and the implementation of Local Housing Allowance (LHA) rates in the social rented sector. These changes will now be introduced in April 2019.

3.14 The Chancellor also announced that the Government will not implement Pay to Stay, under which Local Authority tenants with taxable incomes over £31,000 would have been required to pay a market, or near market, rent.

3.15 On 14 December 2016, Council approved the Council Tax Reduction Scheme for 2017/18. The scheme itself is unchanged when compared to 2016/17 meaning recent changes to Housing Benefit entitlement have not been reflected, mitigating the impact of these changes on those in receipt of both Housing Benefit and Council Tax reduction.

3.16 From April 2017, there will no longer be automatic entitlement to the housing element of Universal Credit for 18-21 year olds who are unemployed. There will be various exceptions for parents, vulnerable groups and people who could previously afford their rent without assistance. Any 18-21 year olds claiming Universal Credit will have to participate in an intensive period of support at the start of their claim. After six months, if they are not working they will be expected to apply for an apprenticeship, traineeship, gain work place skills or go on a work placement.

3.17 The latest available national and local research, data and information, suggests the estimated cumulative loss to Oldham through current and proposed housing benefit changes over the next three years is over £30m. 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, the use of Discretionary Housing Payments and the provision of personal budgeting support as a means of helping and supporting those in need.

Academies and Education Consultation / Funding

3.18 The Government has moved away from its policy of 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 (DSG), General Fund resources are also used for education and related activities.

3.19 The Government has consulted on a number of changes. Consultation on a new national funding formula for Schools ran from 7 March 2016 to 17 April 2016. The Government has now issued their response to this consultation. The main proposals are

- To ring fence the schools funding block in 2018/19. Local authorities will have limited ability to move funding between the schools and high needs funding blocks;
- In 2018/19 local authorities will continue to determine schools funding, as they will continue to set local funding formulae;
- From 2019/20 local authorities are still expected to have flexibility on some limited parts of the formula, particularly in relation to funding for pupil growth;
- Continuation of the minimum funding guarantee of minus 1.5%;
- Creation of a central school services block from the funding held centrally by local authorities for central services and the retained duties element of the Education Services Grant (ESG).

3.20 The Secretary of State for Education has not proceeded with proposals to create a new central schools funding block, allow local flexibility on the minimum funding guarantee or to ring fence the schools block within the Dedicated Schools Grant in 2017/18. These will be addressed in 2018/19 and beyond.

3.21 The Government launched stage 2 of the consultation on the Schools national funding formula on 14 December 2016. The consultation closes on 22 March 2017. The consultation seeks views on detailed proposals for the design of the new national funding formula for schools, and for the central school services block for local authorities. It builds on the consultation launched in March 2016 regarding the principles and structure of the new funding system. Any further changes or reductions to DSG funding following this consultation are likely to impact on the General Fund and Members will be kept updated as and when any new announcements are made.

3.22 The schools revenue funding settlement was announced on 20 December 2016 and includes:

- Continuation of a minimum funding guarantee of minus 1.5% per pupil;
- No change to the Schools funding block from 2016/17 funding (adjusted to reflect local authorities' most recent spending patterns); and
- An increase to the High Needs funding block of £0.558m for Oldham.

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- 3.23 Clarity was also provided regarding the future of the unringfenced Education Services Grant which is used to support General Fund (non-DSG) expenditure. It was announced that the general funding rate grant would cease in September 2017 and 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 estimates has now been included in the financial projections. Retained funding of £0.640m has transferred into the DSG and there has been a £0.198m reduction to the previously anticipated general rate funding.
- 3.24 Guidance has now been received for the funding and reporting of historic commitments for the 2017/18 financial year. This requires Oldham to delegate through the school funding formula, an additional £1.567m to the three schools provided under Private Finance Initiative contracts. This will require amendment of the Governors agreement for each school to ensure the Council is reimbursed for the full sum.
- 3.25 It also requires Schools Forum to agree to the retention of all other historic commitments. Having reviewed these commitments the Local Authority proposed to the Schools Forum, at its meeting on 11 January 2017, to reduce the historic commitments by £0.444m. In addition, there is a further cost of £0.050m for other services which have previously been charged to the DSG but which now must be charged to the Councils General Fund budget. The impact of these changes is to increase the budget gap by £0.494m. This spending pressure may increase in future years.

Early Years

- 3.26 The Government issued a consultation paper on Early Years funding which included a proposal that would require the Council to reduce the level of early year's expenditure which is financed from the Dedicated Schools Grant (DSG). The outcome of the consultation process was announced by the Department for Education on 1 December 2016. As the service provided remains unchanged it can no longer be funded by the DSG. The impact to the Council's General Fund is £0.600m in 2017/18 increasing to £0.833m in 2018/19. This pressure has now been included within the budget estimates. Options for reducing costs will be considered for 2018/19.

Education 'Opportunity Areas'

- 3.27 In October 2016, Justine Greening, the Secretary of State for Education, announced that Oldham is to be one of six national pilot "Opportunity Areas". A sum of £60m is being made available to pilot areas to support work across early years, schools and further and higher education. The DfE also states that it intends to work with local partners in Oldham to tackle the social mobility challenges that are faced. The aim of opportunity areas is to build young people's knowledge and skills and provide them with the best advice and opportunities, including working with organisations such as the Careers and Enterprise Company, the Confederation of British Industry, the Federation of Small Businesses, and the National Citizen Service.
- 3.28 It is not yet clear how much of that £60m will be used to support Oldham or indeed what detailed thinking Government has on how it may be used. However, the Council are currently working with DfE to establish the opportunities and financial implications for Oldham. Members will be kept updated as and when more information is available.

Recently Announced Funding for Education

3.29 In addition to the announcements outlined in preceding paragraphs, the Department for Education advised the Council on 1 December 2016 of a number of additional funding allocations that it may be able to access as highlighted below. At this stage, the mechanism for the allocation of these resources is yet to be confirmed.

- From September 2017 there will be an annual £50m fund for Local Authorities to continue to monitor and commission school improvement for low-performing maintained schools. Oldham has received an illustrative allocation of £0.151m with the final amount set to be confirmed in September 2017;
- There will be a new £140m 'Strategic School Improvement Fund' for academies and maintained schools - aimed at ensuring resources are targeted at the schools most in need of support to drive up standards, use their resources most effectively and deliver more good school places;
- Alongside this new work, the Education Endowment Foundation (EEF) has committed to spend a further £20m over the next two years to scale up and disseminate evidence based programmes and approaches.

3.30 There are to be a wide range of other initiatives aimed at supporting school improvement including the:

- £41m maths mastery programme which will see the expansion of high-quality maths teaching across the primary school system to increase the number of children mastering the basics of numeracy;
- £13m Regional Academy Growth Fund (RAGF) supporting successful academy trusts to grow and to improve standards in underperforming schools. Regional Schools Commissioners (RSCs) will prioritise applications that meet the specific needs in their region and of opportunity areas where applicable;
- Teaching and leadership innovation fund worth £75m over three years focused on supporting teachers and school leaders in challenging areas to develop.

National Living Wage

3.31 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 rising to £7.50 from April 2017 as announced in the 2016 Autumn Statement. The Government's ambition is for this National Living Wage to increase to around £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.

3.32 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 just under £1.200m between resources available (£1.515m) and resources required (£2.700m). This is an on-going financial pressure, which when combined with the increased demand for and complexity of care will continue to present a significant financial challenge to the Council.

New Legislation

3.33 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 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, require 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.
- **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.
- **Local Government Finance Bill (introduced to Parliament on 13 January 2017)** - To support the delivery of 100% Business Rates retention and associated reforms including the provision of new or amended reliefs as well as infrastructure and business rate supplements.
- **Homelessness Reduction Bill** – The aim of the Bill is to introduce measures for reducing homelessness. Each Local Housing Authority in England will be expected to provide or secure the provision of a free of charge service providing advice and support for preventing homelessness and securing accommodation.

3.34 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 the MTFS.

Autumn Statement

3.35 On 23 November 2016, Philip Hammond delivered his first Autumn Statement as Chancellor of the Exchequer. Several policy announcements were included in the Autumn Statement relating to taxation, spending and investment.

3.36 There were noticeable exclusions from the Autumn Statement and supporting documents as there was no reference to the following items which are of major interest to Local Authorities:

- Adult Social Care pressures or funding to support the pressures including the Improved Better Care Fund.
- The Adult Social Care Precept.

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- General Council Tax referendum levels.
 - New Homes Bonus Grant.
- 3.37 After the Autumn Statement, the Government subsequently made announcements covering these matters in the Provisional Local Government Finance Settlement and confirmed these in the Final Settlement. Further details regarding these announcements are set out in Section 10 of this report.
- 3.38 The Autumn Statement included a number of policy announcements that may have implications for individual Oldham residents relating to taxation, welfare and housing. These policy announcements carry no immediate implications for the budget gap estimates set out in this report.
- 3.39 There were also a number of policy announcements relating to Business Rates reliefs and a statement that ‘the burden of Business Rates will be reduced by £6.7bn over the next five years’. However, the Government has an established track record of compensating Local Authorities for the resulting loss of revenue. The current forecasts underpinning the Council’s Budget Gap estimates therefore assume such financial compensation will continue.
- 3.40 The Autumn Statement also included a number of other announcements that could provide Oldham and other Councils with an opportunity to bid for additional resources. Much of this is derived from the new National Productivity Investment Fund (£23bn) of which £2.3bn will be available for Local Authorities to bid for as part of a Housing Infrastructure Fund. Additional transport funding may also be available to bid for including £1.1bn of funding to relieve congestion and deliver upgrades to local roads. Outside of the National Productivity Investment Fund, £170m has been made available for investment in Flood Defence.
- 3.41 There were also announcements relating to the Northern Powerhouse and Devolution agenda which could benefit Oldham directly or indirectly including:
- The preparation and publication of a Northern Powerhouse Strategy including a £400m ‘Northern Powerhouse Investment Fund for investment in small to medium sized enterprises;
 - A share of £556m for Local Enterprise Partnerships in the North of England of which £130.1m will be allocated to Greater Manchester;
 - Additional powers that allow mayoral Combined Authorities to undertake borrowing; and
 - The transfer of the budget for the work and health programme to the Greater Manchester Combined Authority (GMCA) subject to meeting certain conditions.

Devolution

- 3.42 The Greater Manchester Devolution Agreement was signed with the Government in November 2014. It brings both the decision making powers and control of finance 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.
- 3.43 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.

3.44 Set out below are the key issues that are shaping the devolution agenda that will affect the operational and financial environment of the Council as well as its approach to addressing financial challenges.

Health and Social Care Devolution

3.45 February 2015 saw a Memorandum of Understanding (MoU) signed between the 10 Local Councils 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.

3.46 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.

3.47 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.

3.48 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; and
- 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.

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- 3.49 The Council continues to work with the Oldham 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. The recent submission to the Greater Manchester Health and Social Care Partnership of a bid for transformation funds to support joint working initiatives across the health and social care sector is aimed at facilitating the first phase of new collaborative working arrangements. This will link the work of the Council with the CCG, Pennine Acute Hospitals NHS Trust and Pennine Care NHS Foundation Trust across the footprint of the borough. The outcome of this bid is likely to be announced in early 2017.

Better Care Fund

- 3.50 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.

Greater Manchester Spatial Framework

- 3.51 The districts of Greater Manchester are working together to produce a joint plan to manage the supply of land for jobs and new homes across Greater Manchester. The Greater Manchester Spatial Framework (GMSF) will ensure that the right land in the right places delivers the homes and jobs needed up to 2035, along with identifying the new infrastructure (such as roads, rail, Metrolink and utility networks) required to achieve this. It will be the overarching development plan within which Greater Manchester's ten local planning authorities can identify more detailed sites for jobs and homes in their own area. As such, the GMSF will not cover everything that a local plan would cover and individual districts will continue to produce their own local plans. Nonetheless, the plan will have a significant long term influence on local revenue streams (Council Tax and Business Rates), capital investment and demand for services from local residents. The Council undertook a detailed consultation exercise with Oldham residents on the GMSF which closed on 16 January 2017.

Business Rates

- 3.52 In accordance with Government policy, a series of major reforms relating to Business Rates have been announced. Set out below are some of the more significant policy announcements:
- Local Government finance will be reformed in order to pave the way for 100% local retention of business rates by the end of the decade. The reforms will abolish the uniform business rate and provide Councils with the power to cut business rates to boost growth. Some areas including Greater Manchester will pilot these new arrangements from 1 April 2017 (see paragraph 3.66 to 3.72 below for further details).
 - Elected city-wide mayors will have the power to levy a business rates premium for local infrastructure projects provided this has the support of local businesses.
 - Small Business Rates Relief (SBRR) will be permanently doubled from 1 April 2017. There will also be an increase in SBRR thresholds to benefit more businesses.

Businesses with a property that has a rateable value of £12,000 and below will receive 100% relief. Businesses with a property that has a rateable value between £12,000 and £15,000 will receive tapered relief. Around 600,000 businesses nationally (1/3rd of all properties) will pay no business rates at all.

- The threshold between the small and standard Business Rates multiplier will be increased to a Rateable Value of £51,000 to take 250,000 smaller properties out of the higher rate. Furthermore, from 2020 the annual indexation of Business Rates will be switched from RPI to CPI saving the business community £370m in 2020/21.
- The introduction of a new three-stage approach to business rates appeals (Check, Challenge, Appeal). This will apply to appeals against Rating Lists compiled on or after 1 April 2017.

Impact of 100% Rates Retention on Local Government Finance

- 3.53 The Government has confirmed that 100% Rates Retention will be implemented on a fiscally neutral basis. Currently, Business Rates revenues are shared 50:50 between Central Government and Local Government. Under the proposed regime, 'fiscally neutral' means the additional Business Rates that Councils retain will replace Revenue Support Grant and possibly certain other specific grants such as the Public Health Grant (subject to DCLG discussions with other Government Departments). To help 'absorb' additional Business Rates revenues, Councils may also be provided with additional service responsibilities. GM will pilot 100% rates retention arrangements from 1 April 2017 (see paragraphs 3.66 to 3.72 for further details).
- 3.54 The practical impact of these reforms continues to be worked through jointly by the DCLG and the Local Government sector (through the Local Government Association). 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.
- 3.55 The system is expected to operate broadly as it does now (using top-ups and tariffs to redistribute revenues) although it is hoped improved mechanisms are developed to deal with risks relating to rateable value appeals and local economic shocks. Members will recall that 'top up' Authorities collect a lower level of Business Rates than their baseline assessment of need whereas 'tariff' Authorities collect more.

Business Rates Revaluation

- 3.56 Rateable Values (RVs) are periodically adjusted by the Valuation Office Agency (VOA) to take account of changes in property rental values. The revaluation process typically takes place on a five-yearly cycle. The results of the last revaluation process were implemented on 1 April 2010 meaning the next revaluation date was due to be 1 April 2015. However, the process has been delayed by Government meaning the results of the latest revaluation process will take effect on 1 April 2017.
- 3.57 Initial business rates revaluation information was released at the end of September 2016 and is continually being updated by the VOA. Data provided by the VOA suggest there will be significant changes to RVs across regions. In London for example, RVs are expected to increase by almost 23% whereas in the North-West, values are expected to remain broadly static. Across England, RVs are increasing by around 9%. However, this does not mean Local Authorities will see an equivalent increase in revenue as the Government will adjust the multiplier down to ensure the yield from Business Rates remains static in real terms.

3.58 The latest estimates for Oldham suggest that as a result of revaluation Business Rates payable to the Council are likely to fall by approximately £5.200m. However, to help ensure revaluation is fiscally neutral for different Councils, top up and tariff payments have been adjusted to counter the redistributive effects of revaluation. This should mean that the level of resources available to the Council in overall terms should not be affected by the revaluation exercise. Further details are set out in Section 10 of the report.

3.59 For those businesses facing large bill increases after April 2017, transitional relief for up to five years will be available. Businesses experiencing a fall in their bill will not benefit from this immediately as a 'transitional supplement' for up to five years will be added to ensure the transitional relief scheme is fiscally neutral.

Business Rates Pooling

3.60 Since Business Rates Retention was first introduced in April 2013, the Government has encouraged Councils to come together and pool their Business Rates Revenues. For pooling to be financially worthwhile, at least one of the member districts needs to be a tariff authority. If the future Business Rates Baseline of a tariff authority grows they generate levy payments on that growth which are paid to Central Government. If levy authorities 'pool' with top-up authorities then growth is measured across a wider base and the levy rate is reduced which means that it is possible to retain levy payments within the pool and invest them locally.

3.61 The benefits of pooling are, however, at risk if one of the member Authorities suffers a major reduction in rates income which would ordinarily trigger a safety net payment from Central Government. If such an authority is part of a pool then it would fall to other members of the pool to fund an individual authority's safety net payment.

3.62 Authorities in the Greater Manchester region have participated in Business Rates Pooling since 1 April 2015. The pooling arrangement for 2015/16 included all ten Greater Manchester districts along with Cheshire East Council. For 2016/17, these pooling arrangements were extended to include Cheshire West and Chester Council.

3.63 Following publication of the Provisional Local Government Finance Settlement, Councils considered whether Business Rates pooling remained viable for 2017/18, given the significant changes to yield and appeals risk brought about by revaluation. Each of the ten GM Authorities and the two Cheshire Councils that are members of the 2016/17 pool have confirmed their membership in the 2017/18 pool. Since a formal decision to pool had to be made by 12 January 2017, Cabinet on 5 December 2016 agreed to delegate the decision to the Cabinet Member for Finance and HR, in consultation with the Executive Director Corporate and Commercial Services and the Director of Finance. A decision for Oldham to participate in the Business Rates Pool for 2017/18 was made under delegated authority on 12 January 2017.

Additional Growth Pilot Schemes

3.64 As part of the devolution agenda, the Greater Manchester region was invited to pilot a scheme for the full retention of business rates growth. The pilot applied to both the 2015/16 and 2016/17 pooling arrangements. The schemes operated as follows:

- Growth was to be measured against an agreed baseline based on district NNDR1 returns (submitted to DCLG in January 2015);
- After 2015/16, the growth baseline for future years will be adjusted to reflect the annual change in business rate multiplier (inflation) plus 0.5% as a stretch target for growth;
- Income will be measured using NDR3 outturn returns to DCLG adjusted for changes in provisions for appeals;

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- To maximise the potential for growth, additional income will be measured on a district by district basis;
 - Crucially, there will be no additional downside risk or grant adjustment for districts or the pool as a whole if additional growth is not achieved.

3.65 Discussions are still taking place with DCLG regarding the specifics of how to measure growth under these arrangements. In that regard it is still not clear whether these pilot schemes have been successful in generating additional revenues for retention.

100% Rates Retention Pilot Scheme

3.66 As indicated previously, the Greater Manchester Combined Authority Area will pilot 100% Business Rates Retention from 1 April 2017.

3.67 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 eventually be required to take on additional service responsibilities.

3.68 The operating arrangements for the pilot impact on the way in which the Council prepares and presents its revenue budget although there is no impact on the overall Budget Gap position. As part of the pilot scheme arrangements, the Council will retain a 99% share of Business Rates revenues (rather than 49%) with 1% still being paid to the GM Fire and Rescue Authority. Revenues from Business Rates Top Up Grant and Grants in lieu of Business Rates will also be higher as a result of participating in the pilot scheme. At the start of the pilot scheme, GM districts will be no better or worse off than they would be had they not participated in the pilot. To help maintain a revenue neutral position, the Council will no longer receive RSG or Public Health Grant payments as these have been replaced by higher Business Rates revenues, Top Up Grants and Grants in lieu of Business Rates. The transfer of Public Health funding into the Rates Retention Pilot Scheme means this funding stream worth £17.337m is no longer ringfenced and has increased the Council's net revenue budget in 2017/18 by an equivalent amount. As a ringfenced funding stream, Public Health Grant was until 2016/17 accounted for against net service expenditure. Moving forward, Districts benefit from the 'No Detriment' principle which ensures they will be no worse off as a result of participating in the pilot scheme. Further details including disclosure of grants and Business Rates figures associated with the pilot scheme are set out in Section 10 of this report.

3.69 Work continues to take place to develop detailed operating arrangements for the pilot scheme. The Government is committed to ensuring the region is no worse off as a result of the pilot. This "no detriment" principle (see previous paragraph) to the piloting arrangements is of key importance to the Council. It is essential for Districts to be no worse off under the pilot than if the current arrangements remained in place.

3.70 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.

3.71 It is not yet possible to determine whether the pilot scheme will be of benefit to Oldham Council. Much of this will hinge on the share of Business Rates growth (to the extent there

is any) that will accrue to either GM districts or the Combined Authority. Outside of the pilot scheme, work is being undertaken at a national level around needs and resources in an attempt to provide a more sustainable and stable platform for Local Government finance in the longer term. Oldham Council's finance service continues to participate in discussions at Greater Manchester level with regard to the pilot and provide input and support to the DCLG/LGA working groups via the Special Interest Group of Municipal Authorities (SIGOMA) and other established networks including those operating at GM level.

- 3.72 The ten GM Districts were advised of a requirement to formally approve their membership of the 100% Rates Retention Pilot Scheme by no later than 12 January 2017. Cabinet on 5 December 2016 agreed to delegate the decision on whether Oldham Council should be part of the 100% pilot scheme arrangement to the Cabinet Member for Finance and HR, in consultation with the Executive Director Corporate and Commercial Services and the Director of Finance. A decision to participate in the Pilot Scheme was made under delegated authority on 12 January 2017.

Levies, AGMA Contributions and Precepts

- 3.73 Details of levy contributions to the Greater Manchester Waste Disposal Authority (GMWDA), the Greater Manchester Combined Authority (GMCA), the Environment Agency and AGMA contributions are set out in Section 9 of the report.
- 3.74 The spending decisions of precepting Authorities do not affect the level of resources available to the Council. They do however affect the amount of Council Tax that is charged to Oldham citizens. The two major precepting Authorities in the region are the Police and Crime Commissioner for Greater Manchester (PCCGM) and the Greater Manchester Fire and Rescue Authority (GMFRA). The impact of major precepts on Band D equivalent Council Tax is disclosed in the Administration Budget Proposals report (elsewhere on the agenda).

Flexible use of Capital Receipts

- 3.75 The 2016/17 Local Government Finance Settlement and guidance issued in March 2016 confirmed the flexibility to use capital receipts for qualifying revenue expenditure over a three year period from 2016/17 to 2018/19. Such qualifying expenditure covers areas including:
- Shared services.
 - Feasibility studies.
 - Inter-authority co-operation.
 - Service reconfiguration.
 - Digital delivery.
 - Improving counter fraud systems.
- 3.76 Currently the Council is not planning to take advantage of this flexibility however there is the option to revise the approach to the flexible use of capital receipts subject to Council approval and a notification to Government. This position will be kept under review.

4 Oldham Council Policies and Strategies

4.1 The Council has a range of strategies, policies and work programmes that directly influence the day to day operations of the Council and indirectly the financial position. Some of the key elements that have an influence on the MTF5 are set out in the following paragraphs.

Corporate Plan and Oldham Plan

4.2 The Corporate Plan was approved by Council in May 2015. Clearly the Plan can only be achieved by linking to the objectives to the resources available to the Council. This is much easier to align over a shorter timeframe where financial forecasts can be prepared with more certainty. The overarching ambition is to deliver a co-operative future, where everyone does their bit to create a confident and ambitious borough. This is underpinned by three corporate objectives and the review process approved the addition of a number of corporate outcomes under each objective which help in further articulating our ambition for Oldham. They are as follows:

A productive place where business and enterprise thrive

- **Open for business:** We'll make Oldham a place to invest and do business
- **A regenerated borough:** We'll bring forward key regeneration projects to grow the business base, create jobs and transform Oldham into a vibrant borough
- **A working borough:** We'll work with partners to create job opportunities for local people ranging from training opportunities and apprenticeships to quality jobs that pay a decent wage. Through the Education and Skills Commission we will work with partners to improve educations and skills outcomes for all our young people, giving them the best possible preparation for adulthood and the world of work.

Confident communities where everyone does their bit

- **Confident and involved communities:** We'll work with residents and partners to create a co-operative borough where everyone does their bit and understand the issues affecting people in Oldham and campaign to get a fairer deal for residents.
- **Healthy communities:** We'll work proactively with residents and partners to promote healthy, independent lifestyles.
- **Safe, strong and sustainable communities:** We'll work with residents and partners to create cohesive communities which are well cared for, safe and which have decent homes.

A co-operative council delivering good services to support a co-operative borough

- **Getting the basics right:** We'll deliver the services we are responsible for efficiently and ethically and listen to resident feedback to ensure their satisfaction with services
- **Responsible with resources:** We have a capable, motivated and healthy workforce and use all our resources responsibly to deliver services in-house or, when needed commission services, which have public service, quality outcomes and value for money at their heart.
- **Reforming and empowering public services:** We'll work with communities, partners and Districts across the borough and Greater Manchester to reform public services and encourage innovation, leading to even better outcomes and service delivery.

4.3 The Oldham Plan was also endorsed by Council in May 2015 which aligns the plans of the Council to other key organisations. It moves beyond individual organisations and institutions

to create a shared vision for the borough and Oldham residents with the aim of making Oldham ‘a place of ambition where people and communities flourish.

4.4 The Plan builds on the positive role that Oldham plays in Greater Manchester and the City Region which will become more important as we move down the path to greater devolution in the coming years.

4.5 The Plan’s Vision is underpinned by three priority outcomes which are aligned with the Partnership’s three commissioning clusters:

- Investment, skills and good quality jobs (led by the Economy and Skills Cluster);
- Resilient and co-operative people and communities who flourish and cope well with change (led by the Co-operatives and Neighbourhoods Cluster); and
- Healthy, happy and confident people and communities (led by the Health and Wellbeing Cluster).

Co-operative Borough

4.6 Oldham is committed to developing a co-operative future; one where citizens, partners and staff work together to improve the borough and create a confident and ambitious borough. The Corporate Plan outlines the next steps to build on our achievements to date and open up more opportunities. Key initiatives to take forward the ambitions of the co-operative borough include:

- Refocusing of the co-operative approach for the next period, based on the administration’s refreshed priorities;
- Development of transformational and innovative service delivery models in partnership with residents and organisations across the borough;
- Development of investable propositions to tackle shared priorities, deliver differently and move towards joint commissioning; and
- Continuing to support the identification, scoping, development and delivery of co-operative change initiatives to address need/reduce demand.

Oldham Education and Skills Commission (OESC)

4.7 In 2014 Oldham launched an Education and Skills Commission to help raise local standards and aspirations so that every child can achieve their full potential. This has made recommendations on:

- Transforming outcomes through the development of a new school-led education system for Oldham including a strengthened Oldham teacher and Oldham curriculum;
- Alignment of the education system with the economy including the development of adult skills and strengthening careers advice and guidance; and
- Levering in the co-operative difference by strengthening school governors, early years and school readiness and parental contribution.

4.8 The Commission made 19 recommendations and focuses on achieving two key targets in Oldham by 2020:

- All performance indicators to be at the national average or above; and
- All education providers to be judged ‘good’ or better by Ofsted.

4.9 An Implementation Plan is now in place for the 19 recommendations of the Commission. This is supported by a £1.000m investment over four years, which is being used to provide support and resources to make progress on the recommendations. An Education

Partnership Leader is now in post and is leading the work. There are clear links between the Commission's recommendations and the Work and Skills Strategy which was approved in June 2016.

Get Oldham Working Initiative

- 4.10 A key aim of the Council is to improve employment opportunities for Oldham residents. This is particularly important as 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. Between January and December 2016, unemployment in Oldham was static in contrast to the Greater Manchester average (1.3%) and the England average (4.0%) which both increased.
- 4.11 As of December 2016 there were 3,870 unemployed people in Oldham. This represents an unemployment rate of 2.7% the third highest rate within Greater Manchester and higher than the national average of 1.7%. Within this figure there were 905 young unemployed people (aged 18-24) in Oldham which represents a youth unemployment rate of 4.6%, higher than the Greater Manchester (3.6%) and national (2.6%) averages.
- 4.12 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 is now in place as described in paragraphs 4.14 and 4.15.
- 4.13 The Council has continued to push forward the flagship "Get Oldham Working" campaign which has seen local employers provide a total of 5,243 jobs, apprenticeship, trainee and work experience opportunities to local people since its launch in May 2013, and since the start of the new Skills for Employment contract in May 2016 enrolled 262 people to be supported with a dedicated learning mentor.

Oldham Work and Skills Strategy

- 4.14 The Work and Skills Strategy was approved by Cabinet in June 2016. In line with the co-operative vision, the Strategy aspires to achieve four simple strategic goals over the 2016 to 2020 period:
- Create jobs;
 - Deliver Social regeneration and in-work progression;
 - Deliver the OESC and improve the colleges; and
 - Support a thriving private sector.
- 4.15 The strategy also contains a new "outcomes framework" for employment and skills which seeks to improve population skills outcomes to support these strategic goals.

People Strategy

- 4.16 The Council's overarching People Strategy is regularly reviewed and developed around four themes that focus on organisation design, building organisational capability, working towards being an employer of choice and our people infrastructure (people, policies and processes) all of which are aligned to the co-operative ambition and underpinned by the co-operative values and behaviours.

Capital Strategy

- 4.17 The Capital Strategy provides a framework within which the Council's Capital Investment plans will be delivered. These plans are driven by the Council's Corporate Plan. The Capital Strategy has been prepared to take account of the ambition for the borough including the major regeneration developments within the Town Centre and borough-wide, to ensure that new school buildings and extensions are delivered as well as ensuring that the highways network and corporate estate are adequately maintained. The Capital Strategy for 2017/18 to 2020/21 is set out in a report elsewhere on the agenda and is a major strand of the Council's financial planning arrangements.

Treasury Management Strategy

- 4.18 Treasury management is defined as "The management of the local authority's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks."
- 4.19 The Strategy for 2017/18 (elsewhere on the agenda) reflects capital expenditure plans and highlights the Council's position in relation to prudential indicators arising from the capital strategy and also sets out the Minimum Revenue Provision (MRP) Policy Statement. It also highlights the:
- Current Treasury Position.
 - Treasury Indicators for the period 2017/18 to 2019/20.
 - Prospects for Interest Rates.
 - Borrowing Requirement.
 - Borrowing Strategy.
 - Policy on Borrowing in Advance of Need.
 - Debt Rescheduling Position.
 - Investment Strategy.
 - Creditworthiness Policy.
 - Policy on use of external service providers.
- 4.20 The strategy therefore determines how the Council makes the most efficient use of its cash resources by the careful management of borrowing and investments. It is also a key document underpinning the financial planning arrangements of the Council.

Procurement

- 4.21 The Council's Procurement policy focuses on procurement activity which has the optimum balance of cost, quality and local social value, whilst ensuring that significant commercial risks are identified and mitigated at the commissioning stage of the procurement activity.
- 4.22 Value for money reviews are conducted and social value outputs are measured to support the Council's co-operative ambitions. This goes beyond the conventional assumptions of value for money by considering how we secure the greatest social, economic and environmental benefit from the Council's purchasing power.

Housing Strategy

- 4.23 In March 2015 the Council approved the Oldham Housing Strategy for 2015/16 to 2017/18.
- 4.24 The Strategy sets out current challenges, Oldham’s vision for Housing and how it will work within Greater Manchester to deliver on its four key themes:
- Residential Growth.
 - Healthy Homes.
 - Improving Neighbourhoods.
 - Building Stronger Communities.
- 4.25 The strategy provides a framework to support other housing themed delivery plans relating to issues such as homelessness, residential development, private sector housing and affordable warmth. It also links in to other key Council initiatives such as ‘Invest in Oldham’ and ‘Get Oldham Working’ and clearly underpins decision making around the capital strategy, revenue and Housing Revenue Account budgets.

Public Service Reform

- 4.26 Greater Manchester has been a significant national driver behind work on Public Service Reform. This has involved looking both at new delivery models, and at new funding and evaluation models. This has notably contributed to significant developments in relations between GM and national Government, such as the GM Devolution agreement.
- 4.27 Within this Greater Manchester context, Oldham’s approach to Public Service Reform (PSR) is focused on developing a model of services that are centred around a “place” and applying the co-operative values and principles to improve residents’ self-reliance and resilience and reduce their need for public services.
- 4.28 To date, much of this has focused on work with troubled families and households with complex dependencies. Following a number of pilots (including the Family Focus Teams and Project Solution, a joint project with Greater Manchester Police to reduce demand on the police), the Council has used the learning to develop an Early Help Offer, designed to intervene at the earliest possible point across a range of complex dependencies; understand the root cause of problems; and provide support to individuals and families to give them the skills to address these problems.
- 4.29 In parallel with implementing the Early Help Offer, the Council is also now implementing pilot programmes at a place-based level to further embed the ambition of a place-based approach to reform. Ultimately, the ambition is to build resilient communities across Oldham, and this is also embedded into Oldham’s Locality Plan as part of the GM Devolution work.

Co-operative Communities

4.30 Co-operative Communities embodies Oldham's co-operative model of change built on two interdependent approaches: public service reform and stronger social capital in communities. It creates the conditions for change by testing in early adopter areas.

4.31 The programmes aims are to:

- Create a more empowered and independent population, thereby reducing demand on expensive and institutionalised health and social care services.
- Increase capacity of the Council, NHS, housing and voluntary sectors to engage with communities to achieve social cohesion and empowerment.
- Foster a new relationship between the population and public services and, linked with direct activity to change health behaviours, improve health outcomes and reduce dependency.
- Link this approach to increasing educational attainment and people's readiness for work by promoting self-efficacy and aspiration.

5 Financial Resilience

5.1 Oldham is well positioned to adapt and adjust to meet the new financial challenges in respect of 2017/18 and future financial years. The Audit Findings Report produced by the External Auditor when giving the audit opinion on the 2015/16 Statement of Accounts stated that the Council has put in place proper arrangements for securing value for money through economic, efficient and effective use of its resources. The report stated that the Council has demonstrated a robust planning process and challenge of expenditure assumptions and 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. Such comments from the External Auditor can give Members confidence about the financial planning process and also the robustness of the estimates in this report.

6 2016/17 Revised Budget and Year End Forecasts

6.1 The starting point for the consideration of the 2017/18 budget is the current 2016/17 budget position. Since the 2016/17 budget report was approved by Council on 24 February 2016, there have been a number of further one off funding allocations and amendments. These are detailed in the table below. The budget for 2016/17 has therefore increased to £197.824m as reported to Cabinet on 20 February 2017 in the Month 8 financial monitoring report. The revised 2016/17 budget therefore becomes the revised base budget for 2017/18.

Table 1 - 2016/17 Revised Budget

	£000	£000
Net Revenue Budget as at 24 February 2016		190,323
Adjusted for use of reserves		330
Adjusted Net Revenue Budget		190,653
New One-Off Grant Funding Adjustments		
Capital Grant	6,668	
SEND Regional Lead Grant	24	
Extended Rights to Free Travel	23	
Staying Put Grant	59	
Welfare Reform	63	
Local Reform and Community Voices	154	
Housing and Council Tax Administration Grant	104	
New Homes Bonus	135	
Small Business Rates Relief Grant	35	
New Burdens Funding	14	
Local Lead Flood Authority	1	
Reduction in Multiplier Cap Grant	(109)	
Total Budget Adjustments		7,171
Total Revised Net Revenue Budget		197,824

6.2 The table below details the 2016/17 Month 8 year-end forecast position against budget for each Portfolio after the planned transfers to and from reserves.

Table 2 - 2016/17 Month 8 Year-End Forecast Position against Budget

Portfolio	Budget £000	Forecast £000	Variance £000
Chief Executive	3,750	3,681	(69)
Corporate and Commercial Services	6,076	5,783	(293)
Economy, Skills and Neighbourhoods	80,248	81,190	942
Health and Wellbeing	87,031	91,386	4,355
Capital, Treasury and Corporate Accounting	20,719	15,724	(4,995)
NET EXPENDITURE	197,824	197,764	(60)

6.3 Whilst overall corporately there is a small under spend projected at the end of the financial year of £0.060m, the key variance to note is a £4.355m projected over spend within the Health and Wellbeing Portfolio predominantly attributable to Adult Social Care (£3.393m).

This adverse variance is largely related to demand led pressures due to the increasing longevity of the population and the resulting complex care requirements. Care packages are more expensive, and while the Council is working in conjunction with the Health sector to reduce the number of delayed transfers of care and to release NHS beds, this is increasing the number of residential placements required and hence increasing costs. There are also cost pressures in relation to Children's Safeguarding services particularly around looked after children, another demand led service.

- 6.4 Recognising the continuing upward spending trend in these areas and the demand led nature of these pressures, the financial forecast for 2017/18 and future years has been adjusted by £3.000m to accommodate these on-going issues as identified later in the report.

7 Efficiency Plan

- 7.1 Members will recall that an Efficiency Plan was presented for approval to Cabinet on 19 September 2016. This was then submitted to the DCLG on 29 September 2016. The Government acknowledged the receipt of Oldham's Efficiency Plan and on 16 November 2016 confirmed the multi-year finance settlement offer to the Council. This in turn was confirmed in both the Provisional and Final Local Government Finance Settlements. The Government have also revealed that 97% of Councils, 344 out of 353, have signed up to the multi-year finance settlement and welcomed the take up of the offer.
- 7.2 The preparation and submission to Central Government of an Efficiency Plan was necessary to access a guaranteed four year finance settlement for Revenue Support Grant (RSG) covering the period 2016/17 to 2019/20. A thorough review of all the Council's financial projections was undertaken to inform the preparation of the Efficiency Plan and a budget gap of £20.315m was determined.
- 7.3 The budget gap figures presented at Section 14 of this report are based on those included in the plan but have been updated to take account of the approval of phase 1 budget reduction proposals by Council on 14 December 2016, publication of the Final Local Government Finance Settlement on 20 February 2017 and associated funding announcements. The estimates presented in this report also take account of the latest reported outturn position for 2016/17 and any other developments that have occurred since the previous report to Council.

8 Approved Budget Reduction Plan (Phase 1)

- 8.1 On 14 December 2016, Council approved budget reductions totalling £6.147m for 2017/18. This was comprised of £5.624m of on-going reductions, £0.150m of one-off reductions and £0.373m use of reserves. A further £0.105m of on-going reductions were approved which will commence in 2018/19.
- 8.2 Approval of this first phase of budget reductions had the following impact on the Budget Gap:

Table 3 – Revised Budget Gap Position

	Cumulative Figures			
	2017/18 £000	2018/19 £000	2019/20 £000	2020/21 £000
Budget Gap Before Reductions	20,315	34,014	45,185	53,823
Approved Budget Reduction Proposals				
- Phase 1 (On-going)	(5,624)	(5,729)	(5,729)	(5,729)
- Phase 1 (Use of reserves)	(373)			
- Phase 1 (One-Off)	(150)			
Total Approved Budget Reductions	(6,147)	(5,729)	(5,729)	(5,729)
Revised Budget Gap	14,168	28,285	39,456	48,094

- 8.3 This position forms the starting point for the revised Budget Gap figures presented in Section 14 of this report and shows that of the budget gap of £20.315m for 2017/18, £14.168m still has to be addressed. Further savings and proposals to balance the budget for 2017/18 are presented in the Administration's Budget Proposals report (elsewhere on the agenda).
- 8.4 Members are also reminded that £0.229m of savings impacting on the 2017/18 budget position were approved as part of the 2016/17 process on 24 February 2016. The budget gap of £20.315m is net of this sum.

9 Base Budget Adjustments and Expenditure Pressures

- 9.1 The Council regularly reviews the assumptions and methodologies used to calculate the budget reduction requirements as part of its Medium Term Financial Strategy. This is 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 2016/17, adjusted for any approved budget reductions, growth items and additional burdens arising from new legislation or Central Government policy initiatives. This section of the report sets out the revised expenditure assumptions that form the basis of the revenue budget estimates for the period 2017/18 to 2020/21.

Base Budget Adjustments

9.2 The starting position for calculating the estimates is revised to take account of the full year effect of 2016/17 adjustments. This has been updated to reflect the current position and includes:

- £7.171m of one-off adjustments relating to 2016/17 temporary funding as detailed in paragraph 6.1;
- £0.229m relating to the 2017/18 impact of 2016/17 agreed budget reductions;
- £4.627m relating to the impact of 2016/17 changes; largely the result of the approval of a new Minimum Revenue Provision policy by Council on 7 September 2016;
- £0.640m of activity that is transferring to the Dedicated Schools Grant as a result of the recent education funding reforms detailed in Section 3 and Section 10 of the report; and
- £17.337m of Public Health Grant that will be rolled into the funding arrangements for the Greater Manchester 100% Rates Retention Pilot Scheme.

Pension Contributions

9.3 The £0.662m expenditure pressure for 2017/18 represents a contribution rate increase from 18.8% in 2016/17 to 20.0% in 2017/18. There is a further rise of 0.6% to 20.6% for 2018/19 and 2019/20 further rising to 22% for 2020/21. Contribution rates for the period 2017/18 to 2019/20 have now been agreed with the Greater Manchester Pension Fund (GMPF) as part of its triennial revaluation exercise which determines the required employer contributions. The figures presented are unchanged from those previously reported.

Pay Awards

9.4 Pay inflation at £1.000m for 2017/18 is assumed to be 1% per annum for all mainstream funded employees and all employees of a wholly owned Adult Social Care trading organisation. The estimates also provide for the continuation of a locally agreed commitment to the Living Wage Foundation National Living Wage and are unchanged from the figure previously reported.

Inflation

9.5 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 of £1.480m for 2017/18 reflects that need. In the main, this relates to increased utility costs and inflationary rises built into service contracts such as those related to PFI schemes. The figures presented are unchanged from those previously reported.

Investment Fund/Capital Financing Costs

9.6 The Council has agreed an ambitious regeneration programme funded in part by prudential borrowing. This requires revenue spending to support the borrowing costs in line with the projected timeframe for the capital investment. The forecast for 2017/18 has reduced since previous estimates were prepared due to revision to profiled capital spending and now stands at £0.200m rather than £1.683m. 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

9.7 A funding allocation of £0.600m was previously included in the budget estimates to facilitate the funding of business developments which may be identified subsequent to or during the budget process. Two pressures have been identified that will utilise this allocation in full as follows:

a) *Homelessness - £0.250m*

Additional homelessness pressures have recently been notified arising from:

- An increase in demand for Homelessness Services, including the need for temporary accommodation;
- The Homelessness Reduction Bill - this may further significantly increase demands on services; and
- Changes to funding for temporary and supported accommodation and the risks and challenges that this presents.

The Government has announced some funding streams to provide support for homelessness but these are unlikely to be sufficient to address the pressures, hence the requirement for Council funding of £0.250m

b) *Home to School Transport - £0.350m*

Members will be aware that Revenue Budget Monitoring reports considered throughout the year by Cabinet highlighted a budget pressure in relation to Home to School transport. There have been increases in both the number of pupils using the service and Out of Borough Placements that have resulted in increased expenditure. The Home to School transport service is demand led and volatile, and as a result a prudent approach is being taken allowing for an additional budget requirement of £0.350m.

Greater Manchester Waste Disposal Authority (GMWDA)

9.8 The GMWDA considered its 2017/18 budget and levies to the Greater Manchester Districts on 10 February 2017.

9.9 The GM Waste Disposal Authority (GMWDA) is seeking to mitigate the impact of a forecast large levy increase in 2017/18 by bringing forward a savings programme which will see costs of disposing of the waste we generate reduced. Detailed plans are in an advanced stage, but to ensure that savings for future years are maximised an initial upfront investment of up to £77.700m may be needed in day to day (revenue) expenditure, as well as some longer term (capital) investment. The impact of the extra revenue spending requirement means that a headline average increase of 5.3% is being increased to an average 53.5%.

9.10 The original intention was to eliminate that increase at District level by switching resources within the GM Combined Authority, as the intention was to incorporate the GMWDA into GMCA from April 2017. That has now been delayed by 12 months. Working closely with GMCA it is however proposed to reduce the GMCA Transport levy by an equal cash amount for each District, thus delivering on the no local impact plan. Unfortunately that means that the 53.5% waste levy increase is shown alongside a 46.8% reduction in the Transport Levy. Those resources will then be switched back from GMWDA savings to GMCA Transport levy from 2018/19 to 2020/21.

9.11 The GMWDA savings plans for future years will also need to address the variations in levy changes. Given the current level of planned savings there is some belief that can be addressed, but with timing of savings not yet certain it is not currently possible to anticipate the impact of smoothing, which would involve some use of reserves.

- 9.12 Oldham's levy for 2017/18 is currently forecast to be £24.664m which is an increase of £6.558m on the previous forecast. As detailed above, this increase is offset by a decrease in the GMCA Transport Levy as shown in Table 4 below.

Greater Manchester Combined Authority (GMCA)

- 9.13 The GMCA considered its 2017/18 budget and levies to the Greater Manchester Districts on 27 January 2017. Oldham's Transport for Greater Manchester (TFGM) levy for 2017/18 will be £8.699m. The 2017/18 levy now incorporates costs previously within the non-transport and AGMA contributions. In total the levy is £7.149m lower than notified in 2016/17 and a £7.466m reduction from the previous forecast.
- 9.14 As detailed in paragraph 9.10, this reduction is mainly due to a transfer of funds between the GMWDA and GMCA on a temporary basis for 2017/18. This position will revert back to the standard model from 2018/19 onwards.
- 9.15 GMCA non transport contributions have been re-profiled to meet current regional needs. Although the contribution has fallen by £0.118m to £0.717m for 2017/18, the services that this funding was supporting have transferred so that they are now included within the GMCA levy.

Association of Greater Manchester Authorities (AGMA)

- 9.16 The Council contribution for AGMA services will reduce to £0.506m for 2017/18 which represents a £0.093m reduction from the 2016/17 budget and the amount previously forecast. As advised above, the GMCA levy has increased by a corresponding amount.

Environment Agency

- 9.17 On 1 February 2017 the Environment Agency published its confirmed levy figures for 2017/18. The levy charged to Oldham for 2017/18 will be £0.102m which is £0.002m higher than previously anticipated.

Net Impact of Levies/Contributions

- 9.18 The table below advises that taking all the information set out above, the current estimate is that resources of £1.117m will be released to support the overall budget position. This is £0.461m higher than the net reduction previously reported to the PVFM Select Committee and is as a result of a further reduction in the GMWDA levy. It should be noted that the £1.117m reduction is attributable to GMCA (£0.346m) and GMWDA (£0.771m).

Table 4 – Comparison of Levy Contributions

Levy/Contribution	Previous Forecast £000	Current Forecast £000	Difference £000
GMWDA	18,106	24,664	6,558
GMCA – TFGM	16,165	8,699	(7,466)
GMCA – Non Transport	835	717	(118)
Environment Agency	100	102	2
AGMA	599	506	(93)
Total Change to Levies/Contributions	35,805	34,688	(1,117)

Employment Terms and Conditions

- 9.19 A budget pressure has been included in estimates for 2017/18 at £2.000m. Following the consultation on Terms and Conditions of Employment and the position approved at Council on 14 December 2016, incremental progression is to be reinstated from 1 April 2017 at an estimated cost of £0.917m. Variations to some terms and conditions remain in place including the requirement to take three days mandatory unpaid leave for all central directorate employees except centrally employed teachers, Grade 1 staff, Pupil Escorts, Apprentices and Trainees. The mandatory scheme will be supplemented with a voluntary annual leave purchase scheme available permanently from 1 April 2017. This voluntary scheme will be subject to management control but will be actively promoted to supplement terms and conditions savings in 2017/18 and is designed to take the place of the mandatory scheme from 1 April 2018 onwards.

Social Care – Demand Pressures

- 9.20 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 complex caseloads, a budget pressure of £3.000m on an on-going basis has been added to the forecast financial position. This also includes an allowance for demand pressures for children's social care services. This aims to address the in-year pressure that has been reported in the financial monitoring report at Month 8 for 2016/17 as shown in Section 6 of the report.
- 9.21 It is however possible that this demand led area will continue to face pressures in 2017/18 and reserve resources of £3.000m will be realigned to underpin this budget area if necessary. Any proposed use of reserves to fund further demand pressures in this area will require a full evidence based business case.

Adults Social Care – Impact of National Living Wage

- 9.22 As detailed earlier in this report, changes to the National Living Wage announced in the Autumn Statement have resulted in a financial burden for Local Authorities particularly around Adult Social Care providers. Budget estimates take account of estimated 2017/18 increases and also the intention to move to a minimum of £9 per hour by 2020. Provision has been built into the forecasts of £2.445m in 2017/18 rising to a cumulative figure of £9.412m in 2020/21.

Social Care Pressures – Improved Better Care Fund

- 9.23 The Final Local Government Finance Settlement (Section 10 refers) confirmed Improved Better Care Fund allocations first published in 2016/17 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. Provision has been built into the forecasts of £0.716m in 2017/18 rising to £8.150m in 2019/20.

Public Health Services

- 9.24 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 two years was announced on 11 February 2016 with a grant allocation of £17.775m for 2016/17 and £17.337m for 2017/18 (subsequently confirmed alongside the Final Local Government Finance Settlement). From 2017/18 onwards, the Council will no longer receive a separate ringfenced Public Health Grant. Funding will not be ringfenced and will form part of the resources allocated to the Council through the arrangements for the 100% Business Rates

Retention Pilot operating across all Greater Manchester districts. The Council has previously committed to topping up resources for Public Health activity to maintain services in the sum of £0.796m in 2017/18 rising to £2.114m cumulatively by 2019/20.

Coroners Service

- 9.25 There are service pressures relating to 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 and an on-going provision of £0.250m for expected costs has been built into the MTFS.

Apprenticeship Levy

- 9.26 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 young people. The estimated cost to the Council is £0.400m on an on-going basis. Schools (where appropriate) will be liable for their own levy.

Impact of Changes in Education Funding

- 9.27 As outlined at paragraph 3.25, recent announcements in relation to education funding will result in additional costs being borne by the Council. For the 2017/18 financial year onwards these are expected to be at a value of £0.494m.

Impact of Changes in Early Years Funding

- 9.28 The Government has also announced changes to the way Councils receive funding for Early Years. These are detailed in paragraph 3.26 of this report and the estimated cost to the Council is £0.600m for 2017/18, rising to £0.833m from 2018/19 onwards.

Special Educational Needs and Disability (SEND) Implementation

- 9.29 In line with Government policy the Council is expected to support the transition to the new system of assessing and monitoring the provision of service for those with special educational needs and disability. Expenditure in this service area will be increased by £0.203m in line with the funding provided by Central Government (see para 10.38).

Implementation of Universal Credit / New Burdens – Department for Work and Pensions

- 9.30 The Council is at the forefront of the implementation of Universal Credit and as a consequence will incur additional expenditure as a result of the transition to the new system. Additional costs of up to £0.283m are therefore anticipated. The Government is providing grant compensation for expenditure incurred (see para 10.39).

Other Planning Assumptions

- 9.31 Other assumptions within the budget estimates are outlined below:
- Ringfenced grants will be used for the purpose intended. These include Housing Benefit Subsidy and the Dedicated Schools Grant (for the purposes of the MTFS 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). Ringfenced grant assumptions are based on the allocations that have been notified by the funding body;

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- Pensions and redundancy costs will have to be met directly from revenue funds as there will be no capitalisation opportunities;
 - General Balances and reserves are managed on a risk based approach; and
 - 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.

10 Final Local Government Finance Settlement (LGFS) and Associated Funding Announcements

- 10.1 The 2017/18 Provisional LGFS was released on 15 December 2016. It was issued by the Secretary of State for Communities and Local Government the Rt. Hon. Sajid Javid MP, setting out the Government's formal proposals for funding English Local Authorities for 2017/18.
- 10.2 The Government provided figures to 2019/20 in accordance with its offer to provide a multi-year settlement to Councils like Oldham that submitted an Efficiency Plan by 14 October 2016.
- 10.3 The Provisional LGFS was subject to a short period of consultation which closed on 13 January 2017. The Council's response was prepared and submitted by the Director of Finance in consultation with the Deputy Leader and Cabinet Member for Finance and HR.
- 10.4 The Final Local Government Settlement was received on the evening of 20 February 2017. It made only one change to the Provisional Settlement which was a reduction of £0.003m in relation to New Homes Bonus Returned Funding.
- 10.5 Key announcements included in the Provisional LGFS and confirmed in the Final Settlement are as follows:
- Confirmation of funding certainty relating to the Revenue Support Grant (RSG) following acceptance of Oldham Council's Efficiency Plan although RSG allocations are now incorporated within the 100% Business Rates funding regime;
 - Confirmation that the 100% Business Rate Retention pilot for Greater Manchester will commence on 1 April 2017;
 - Adult Social Care Precept – The referendum threshold has been raised to 3% per annum for 2017/18 and 2018/19. However, increases must not exceed a total of 6% for the remainder of the Spending Review Period to 2019/20;
 - New Homes Bonus payments are reducing from six to five years in 2017/18 and to four years in 2018/19. A threshold will also be introduced from 2017/18 that means grant will only be paid for growth that exceeds an initial baseline of 0.4%;
 - The introduction of a new Adult Social Care Support Grant which allocates one year funding to Oldham of £1.127m in 2017/18;
 - Improved Better Care Fund allocations remain as previously notified; and
 - Business Rates tariff and top up amounts have been recalculated to accommodate the impact of revaluation.

Settlement Funding Assessment

- 10.6 The Settlement Funding Assessment (SFA) is a Government calculated figure which includes the Revenue Support Grant and the Baseline Funding Level (BFL). The BFL comprises Business Rates Top Up Grant plus the Government's assessment of Business Rates that can be collected locally (known as Business Rates Baseline).

National Position

- 10.7 The Government continues to commit to reduce departmental spending and as such the following table shows these reductions in the National SFA. The Provisional Settlement showed a reduction from £18,601m in 2016/17 to £16,630m in 2017/18 which represents a 10.6% decrease in national funding as shown below:

Table 5 – SFA for England

2016/17 £m	SFA for England	2017/18 £m	2018/19 £m	2019/20 £m
18,601	Settlement Funding Assessment	16,630	15,576	14,584
	of which:			
7,184	Revenue Support Grant	4,980	3,550	2,131
11,417	Baseline Funding Level	11,650	12,026	12,453

- 10.8 The Final Settlement shows figures adjusted to reflect the revised treatment of Revenue Support Grant and Public Health Grant funding under the 100% Business Rates Pilot regime but only for 2017/18 as follows:

Table 6 – SFA for England Post Final Settlement

2016/17 £m	SFA for England	2017/18 £m	2018/19 £m	2019/20* £m
18,601	Settlement Funding Assessment	17,905	15,599	14,584
	of which:			
7,184	Revenue Support Grant	3,800	3,573	2,284
11,417	Baseline Funding Level	14,105	12,026	12,453

* Settlement Funding Assessment in 2019-20 is modified by a provisional Tariff/Top-Up adjustment

Oldham Council Position

- 10.9 The position for Oldham, following the submission and acceptance of its Efficiency Plan is as anticipated and the reduction in funding from £99.840m in 2016/17 to £90.936m in 2017/18 represents an 8.9% decrease in SFA. The summary figures presented in Table 7 (below) exclude the impact of participating in the GM 100% Business Rates Retention Pilot Scheme. The impact is included in the detailed breakdown of figures presented from Table 9 onwards and is explained in paragraph 10.18.

Table 7 – SFA for Oldham

2016/17 £000	SFA for Oldham	2017/18 £000	2018/19 £000	2019/20 £000
99,840	Settlement Funding Assessment	90,936	86,054	81,376
	of which:			
40,543	Revenue Support Grant	30,428	23,600	16,701
59,297	Baseline Funding Level	60,508	62,454	64,675

Core Spending Power

- 10.10 Contained within the settlement are the Government's estimates of Core Spending Power (CSP). This is the Government's assessment of the expected revenue resources available to Local Authorities through to 2019/20 using Office of Budget Responsibility estimates.
- 10.11 The Final Settlement includes detail by individual Authority and the amounts for Oldham are shown in the table below:

Table 8 – CSP for Oldham

2016/17 £000	Core Spending Power for Oldham	2017/18 £000	2018/19 £000	2019/20 £000
181,331	Core Spending Power	179,472	182,349	187,118

- 10.12 The Government produced CSP figures do not directly align to Oldham Council's budget estimates as they reflect generalised assumptions about growth in Council Tax Tax Base and Business Rates revenues. Using figures now incorporating the 100% Business Rates Retention Pilot Scheme, the breakdown of funding amounts included in the Final Settlement CSP contrast to Oldham Council 2017/18 budget estimates reported to Council on 14 December 2016 as shown below.

Table 9 – CSP Compared to Oldham Council Budget Estimates

Funding Stream	Budget Report (Council report 14/12/16) £000	Settlement CSP £000	Variance £000
Revenue Support Grant	30,428	0	(30,428)
Retained Business Rates	29,620	36,189	6,569
Business Rates Top Up	30,832	54,747	23,915
Council Tax	79,195	80,709	1,514
2% Adult Social Care Precept	3,108	3,200	92
Improved Better Care Fund	716	716	0
2017-18 Adult Social Care Support Grant	0	1,127	1,127
New Homes Bonus	2,641	2,641	0
New Homes Bonus (Returned Funding)	0	143	143
Core Spending Power	176,540	179,472	2,932

- 10.13 Whilst the settlement implies the Council has £2.932m of additional resources, the Government's CSP figures include assumptions as to the growth of the tax base and annual Council Tax increases that are not in line with the Council's own budget estimates presented to Council on 14 December 2016. Furthermore, the table does not allow for Section 31 Grants paid in lieu of Business Rates.
- 10.14 A more direct comparison of the impact of the settlement figures using the local position and presenting this in alignment with the Government's CSP breakdown (adjusted for the 100% Rates Retention Pilot Scheme) shows potential funding of £197.764m. This compares to the information in the report to Council on 14 December 2016 which had an equivalent CSP of £178.987m. The major reason for the £18.777m variance is the inclusion of £17.337m Public Health Grant.

Table 10 – Revised Budget Estimates Resulting from the Settlement (Adjusted for the impact of the GM 100% Business Rates Retention Pilot Scheme)

Funding Stream	Budget Report (Council report 14/12/16)	Revised Assumption Based on Settlement CSP	Variance
	£000	£000	£000
Revenue Support Grant	30,428	0	(30,428)
Retained Business Rates	29,620	50,646	21,026
Business Rates Top Up	30,832	54,747	23,915
Grants in Lieu of Business Rates	2,447	5,271	2,824
2017/18 Adult Social Care Support Grant	0	1,127	1,127
New Homes Bonus	2,641	2,641	0
New Homes Bonus (Returned Funding)	0	143	143
Improved Better Care Fund	716	716	0
Council Tax	79,195	79,358	163
2% Adult Social Care Precept	3,108	3,115	7
Funding Available	178,987	197,764	18,777
Inclusion of Public Health Grant within 100% Rates Retention Pilot			(17,337)
Increased Funding Available			1,440

- 10.15 The net additions for Oldham for the 2017/18 financial year resulting from the settlement are the introduction of the new 2017/18 Adult Social Care Support Grant (one year only) at a value of £1.127m and New Homes Bonus Returned Funding at a value of £0.143m.
- 10.16 Members should also note that the figures included in the tables above for Council Tax and the Adult Social Care Precept have now been updated following Council approval of the 2017/18 Council Tax Tax Base. The revised tax base results in additional Council Tax generated at a value of £0.163m and an increase to income from the Adult Social Care Precept at a value of £0.007m.
- 10.17 The additions detailed in paragraphs 10.15 and 10.16 total £1.440m which represents the additional funding shown in the table above. All variances resulting from joining the pilot for 100% Business Rates Retention have a nil effect on the overall revenue funding position.

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- 10.18 As illustrated in Table 10, the operation of the GM 100% Business Rates Retention Pilot Scheme has had a significant impact on the presentation of the budget figures even though there is no impact on the Budget Gap presented in this report. As part of the arrangements, the Council will retain a 99% share of Business Rates revenues (rather than 49%) with 1% still being paid to the GM Fire and Rescue Authority. Revenues from Business Rates Top Up Grant and Grants in lieu of Business Rates will also be higher as a result of participating in the pilot scheme. Of the £23.915m increase in Top Up grant, £3.183m represents compensation for the forecast impact of the 2017 Business Rates revaluation process. At the start of the pilot scheme arrangements, GM districts will be no better or worse off than they would be had they not participated in the pilot. To help maintain a revenue neutral position, the Council will no longer receive RSG or Public Health Grant payments as these have been replaced by higher Business Rates revenues, Top Up Grants and Grants in lieu of Business Rates. The transfer of Public Health funding into the Rates Retention Pilot Scheme means this funding stream worth £17.337m is no longer ringfenced and has increased the Council's net revenue budget in 2017/18 by an equivalent amount. As a ringfenced funding stream, Public Health Grant was until 2016/17 accounted for against net service expenditure. Moving forward, districts benefit from the 'No Detriment' principle which ensures they will be no worse off as a result of participating in the pilot scheme.

Unringfenced Grants

- 10.19 Alongside the LGFS, the Government has also confirmed the following funding allocations.

Business Rates Top Up

- 10.20 As advised above, Business Rates Top Up has increased by £23.915m due to the impact of revaluation and as a result of participating in the GM 100% rates retention pilot scheme. Of these changes (which are revenue neutral), £3.183m represents additional compensation for the forecast impact of the 2017 revaluation process.

Revenue Support Grant (RSG)

- 10.21 RSG is an 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. The grant is at a value of £30.428m for 2017/18. Minimum allocations have been secured with the submission of the Council's Efficiency Plan (approved by Cabinet on 19 September 2016). As part of the arrangements for participating in the GM 100% Business Rates Retention Pilot Scheme, the Council's RSG and Public Health Grant allocations will be replaced with higher retained Business Rates Revenues, Top Up Grant and Grants in lieu of Business Rates.

Education Services Grant

- 10.22 On 21 July 2016, the Secretary of State for Education issued a written statement on school funding arrangements for 2017/18. This statement clarified arrangements for the future of the Education Services Grant. The General Fund grant will end in September 2017 and as such the resources available have been reassessed to a 2017/18 amount of £0.774m.
- 10.23 The written statement also confirmed that the Retained Funding element of the grant would in future be allocated as part of Dedicated Schools Grant. With the agreement of the Schools Forum, at its meeting of 11 January 2017, a charge of £0.640m will be made to the DSG for the provision of central education functions. It has been assumed that this will continue in future years.

Improved Better Care Fund Grant

- 10.24 The LGFS confirmed the allocations published in 2016/17. 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 levying the Adult Social Care Precept.
- 10.25 Published allocations are £0.716m for 2017/18, £4.687m for 2018/19 rising 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.

Independent Living Fund (ILF)

- 10.26 The Council took over responsibility from Government for the functions associated with the former Independent Living Fund during 2015. Independent Living Fund Grant payments were confirmed as the figures in the multi-year allocations published at the beginning of the 2016/17 financial year. These figures are included in the Council's budget estimates and are £2.748m for 2017/18, £2.661m for 2018/19 and £2.580m for 2019/20. This funding has been passported in full to the service as approved as part of the 2016/17 budget process.

2017/18 Adult Social Care Support Grant

- 10.27 In response to increasing demand for adult social care services, the Government announced a new single year Adult Social Care Support Grant allocated to Local Authorities based on their relative needs formula.
- 10.28 The allocation to Oldham for the 2017/18 financial year is £1.127m. It should be noted that the funding for this grant was created by reducing the New Home Bonus Grant.

Housing Benefit Administration Grant

- 10.29 The Government will continue the payment of this unringfenced grant which compensates Local Authorities for the administration of the Housing Benefit system. The Department for Work and Pensions has given notification that the grant will be £0.891m for 2017/18 which is £0.106m higher than expected.

Council Tax Administration Grant

- 10.30 The Government will continue the payment of this unringfenced grant which compensates Local Authorities for the administration of the Council Tax system. The DCLG has given notification that the grant will be £0.403m for 2017/18 which is £0.106m higher than expected.

New Homes Bonus (NHB)

- 10.31 New Homes Bonus funding for 2017/18 at £2.641m is in line with the forecasts presented to Council on 14 December 2016. The Council is also expected to receive £0.143m in 'returned funding' that was top sliced but not allocated in 2016/17.
- 10.32 The Government as part of the Final Settlement has now confirmed that:
- The grant will reduce from six years to five years in 2017/18 with a further reduction to four years in 2018/19.
 - A new national baseline growth factor for housing growth set at an initial value of 0.4% will be introduced in 2017/18.

- 10.33 For Oldham, as a prudent measure during the consultation period, the reduction in years funded has already been included within budget estimates. However, the new baseline growth factor is likely to reduce funding further in future years.
- 10.34 The introduction of the initial baseline growth factor means that the first 0.4% of housing growth will not qualify for grant. For Oldham, this baseline growth equates to approximately 300 homes. The Authority currently has average annual growth of approximately 400 homes and at the end of the four year funding period this would therefore result in an equivalent 75% reduction in grant.
- 10.35 The impact for the Council, assuming continued annual growth of 400 homes is shown in the table below:

Table 11 – New Homes Bonus Grant

Estimated New Homes Bonus Grant	2017/18 £000	2018/19 £000	2019/20 £000	2020/21 £000
Expected Position pre Provisional Settlement	2,641	2,552	2,529	2,480
Position after Final Settlement	2,784	1,672	1,183	668
Changes in Funding	143	(880)	(1,346)	(1,812)

- 10.36 There is additional risk underlying these estimates as the Government has not set the 0.4% threshold as a permanent baseline figure. This threshold is liable to change should there be a significant increase in national housing growth due to funds earmarked for New Homes Bonus being finite.
- 10.37 The Government also announced that from 2018/19 it will consider withholding New Homes Bonus payments from local authorities that are not planning effectively, by making positive decisions on planning applications and delivering housing growth. To encourage more effective local planning they will also consider withholding payments for homes that are built following an appeal.

Special Educational Needs and Disability (SEND) Implementation

- 10.38 On 20 December 2016 the Minister of State for Vulnerable Children and Families confirmed a new one year allocation for the 2017/18 SEND implementation grant (new burdens) and wider delivery support funding. The allocation for Oldham is at a value of £0.203m and as per previous practice the Council will locally ringfence this funding to support transition to the new system.

Implementation of Universal Credit / New Burdens – Department for Work and Pensions

- 10.39 On 20 December 2016, the Department for Work and Pensions released new funding allocations to support the implementation of Universal Credit. For 2017/18 Oldham will receive an allocation of £0.283m to support residents looking to claim Universal Credit. In addition it also advised of £0.010m new burdens funding for 2017/18 to fund operational administrative support to aid in the identification of fraud relating to Housing Benefit payments. These resources will be locally ringfenced.

Other Unringfenced Grants

- 10.40 The Council may receive other unringfenced general grants in 2017/18 and will be able to use this Government funding as it sees fit. Grants for which funding had not been assumed in 2017/18 now total £0.506m and are summarised in Table 12 below. There may be further notifications during the 2017/18 financial year.

Table 12 - 2017/18 Unringfenced Grants

Unringfenced Grants	2017/18 Allocation £000
SEND Implementation Grant	203
Implementation of Universal Credit	283
New Burdens – Department for Work and Pensions	10
Lead Local Flood Authority	10
Total Unringfenced Grants in 2017/18	506

- 10.41 Grants to be received in 2017/18 that are explained above are summarised in Table 13 below. In overall terms, the Council will receive £1.899m less funding from these grants than anticipated.

Table 13 – Unringfenced Government Grants 2017/18

Changes to Funding Following the Final Local Government Finance Settlement	Expected Position £000	After Settlement £000	Difference £000
Business Rates Top Up	30,832	54,747	23,915
Grants in lieu of Business Rates	2,447	5,271	2,824
Revenue Support Grant	30,428	0	(30,428)
Education Services Grant	972	774	(198)
Improved Better Care Fund Grant	716	716	0
Independent Living Fund (ILF) Grant	2,748	2,748	0
Adult Social Care Support Grant	0	1,127	1,127
Housing Benefit Administration Grant	785	891	106
Council Tax Administration Grant	297	403	106
New Homes Bonus	2,641	2,641	0
New Homes Bonus Returned Funding	0	143	143
SEND Grant	0	203	203
Implementation of Universal Credit	0	283	283
New Burdens - Department for Work and Pensions	0	10	10
Lead Local Flood Authority	0	10	10
Total General Government Grants	71,866	69,967	(1,899)

Overall position after the Final LGFS and Unringfenced Grant Allocations

- 10.42 Taking all the changes in the SFA and the grants into consideration means that the Council has, after the Final LGFS and related grant notifications, anticipated additional funding of £1.790m as shown in Table 14 (albeit that some grant notifications have still to be confirmed).

Table 14 - Overall position after allowing for the impact of the Settlement and other unringfenced grant assessments

Changes to Funding – LGFS Local Government Finance Settlement	Expected Position £000	After LGFS £000	Difference £000
General Government Grants	71,866	69,967	(1,899)
Retained Business Rates	29,620	50,646	21,026
Total Change To Resources Available	101,486	120,613	19,127
Revised presentation of Public Health Grant			(17,337)
Funding Available			1,790

Ringfenced Grants

- 10.43 The estimates underpinning the Council's MTFs are based on ringfenced grants being allocated to their intended purpose. Such grants include Housing Benefit Subsidy and Dedicated Schools Grant (for the purposes of the MTFs 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). Ringfenced grant assumptions are based on the allocations that have been notified by the funding body.

Public Health

- 10.44 As part of the 2016/17 Final Local Government Finance Settlement, Oldham's Public Health grant allocation was notified as being £17.337m for 2017/18. However, as part of the GM 100% Business Rates Retention Pilot Scheme, this funding is no longer ringfenced and will no longer be paid as a separate grant. It instead forms part of the additional revenues that the Council will receive or retain under the pilot scheme arrangements as previously explained at paragraph 10.18.

Better Care Fund (BCF)

- 10.45 BCF allocations for 2017/18 and Oldham's share are yet to be finalised. The 2016/17, Oldham allocation was £16.627m of which £9.895m was passed to the Council to commission services to cover issues such as personalisation, the provision of support for carers, information advice and support and independent mental health advocacy. Funding in 2017/18 will again be allocated to the Oldham Clinical Commissioning Group (CCG) as part of the pooling arrangements and passported to the Council as per the BCF agreements.

Dedicated Schools Grant

- 10.46 The Dedicated Schools Grant (DSG) for Oldham is initially set at £231.421m for 2017/18 and after allowing for Academy recoupment the total available to Oldham Council is £158.897m. This grant provides funding for schools; the Pupil Referral Unit; and Early Years Provision in Private, Voluntary and Independent Establishments (PVEs); and a budget for other provision for pupils which the Local Authority funds centrally. Central Local Authority

funding now includes high needs provision, including post-school provision up to the age of 25, and other pupil related services.

10.47 The DSG is a ring-fenced specific grant. This funding is calculated by Central Government based on the “spend plus” methodology and the number of pupils receiving education within the Oldham Council area. The Council then allocates funding to schools, according to its own funding formula. Each school’s budget is subject to a Minimum Funding Guarantee (MFG), the level of which is set by Department for Education (DfE). The MFG ensures that, subject to certain exemptions, a school’s budget is guaranteed to increase or decrease by a set percentage. The Council can retain funding centrally to meet its estimate of the cost of delivering education in settings other than its own maintained schools as well as to provide relevant pupil related support services for Early Years or High Needs.

10.48 Although the Council continues to receive funding for schools directly from the Government through the DSG, this is now allocated within three notional blocks. Councils can move funding between the notional blocks in consultation with the Schools Forum to ensure that local spending pressures can be contained. These blocks are:

a) Schools block

This covers Reception to year 11 pupils and some centrally retained services for school pupils e.g. the admissions service.

The funding reforms introduced from April 2013 outlined the requirement for the maximisation of delegation to schools and academies of central services funding and the funding from the schools block in the first instance. This was to ensure that local decision making was made by schools/academies directly giving greater choice to Head Teachers, Principals and Governors on how to spend their budgets.

This change requires Local Authorities to delegate funding relating to a number of centrally retained school block budgets to schools via the Local Funding Formula. Locally maintained schools then have the option of de-delegating the funding back to the Council to provide better value for money or to pool risk. These services are Insurance, School Improvement/ Underperforming Schools, Contingencies and Teacher Union Duties. De-delegation arrangements have to be approved each year by the Schools Forum.

b) High Needs

This covers Pupils in mainstream schools and special schools as well as alternative provision and Special Educational Needs (SEN) support services. Pupils and students with high needs are those young people who need educational provision that costs more in total, including basic provision given to all pupils and students, than £10,000 per year.

c) Early Years

This covers free entitlement to Early Years funding for 2, 3 and 4 year olds and current centrally retained Early Years services.

10.49 The DSG for 2017/18 also includes funding of £3.596m for an increase in pupils numbers, £0.640m for ESG retained duties, £0.630m transferred funding from the post 16 budget to the High Needs block, £0.558m additional high needs funding and £1.337m funding for 30 hours free entitlement for 3 and 4 year olds from September 2017.

10.50 Based on pupil number changes, the DSG funding received by Local Authorities continues to be allocated on a 0% cash increase basis for the Schools Block and Early Years Block. (I.e. the guaranteed unit of funding per pupil will be the same as those in 2016/17 except

for an adjustment for former non-recoupment academies). Although the funding allocated to the Local Authority will remain constant for 2017/18, the changes brought about by the new local funding formula and the prescriptive criteria set by Government results in both winners and losers for individual schools in financial terms.

- 10.51 In determining schools budgets, a number of key changes have been implemented. This includes reducing the number of factors that can be used in the local formulae to distribute funding from 33 to 12.
- 10.52 To dampen the impact of changes to schools budgets the MFG will continue at minus 1.5% per pupil, and be calculated on a simplified basis. The minimum funding guarantee is a formula that has to be applied to each school's budgets to ensure that its budget does not exceed the maximum decrease of 1.5% per pupil. Conversely as Authorities are operating within a set level of resources, caps may have to be applied to any winners. This capping restricts a schools gain when comparing what they received per pupil in the preceding year compared to what they receive under the new formula arrangements. For 2017/18 the capping will be set at 0%.
- 10.53 With regard to the Council's General Fund revenue budget, changes to the DSG create a cost pressure of £1.094m comprising £0.494m in relation to Education funding changes and £0.600m in relation to changes to Early Years funding.

Discretionary Housing Payments

- 10.54 The Council is awaiting notification of allocations for 2017/18. This will be treated as a ringfenced grant as Authorities are required to provide a statement of grant usage and to return any unspent DHP allocation to the Government at the end of each financial year.

11 Locally Generated Income

- 11.1 As Government grant funding continues to diminish, locally generated income from Council Tax and Business Rates will provide an increasing proportion of funding for Council services.

Retained Business Rates

- 11.2 Included within Section 3 of the report is an explanation of the various reforms that are forthcoming in relation to Business Rates. It is clear there is a significant amount of change on the agenda which will affect Councils and Ratepayers alike. The Government has assured Councils that Business Rates reform and revaluation will be fiscally neutral. They have also provided specific assurances to areas like Greater Manchester to ensure the region is no worse off as a result of piloting 100% rates retention.
- 11.3 Whilst it is hoped the growth pilot schemes from 2015/16 and 2016/17 along with the 100% rates retention pilot will ultimately generate additional business rates growth for the region, the forecasts included in this report assume no additional growth at this stage. Business rates revenue growth remains uncertain and the fiscal benefits of that growth may accrue to the Combined Authority rather than individual districts.
- 11.4 For budget planning purposes, the Council's share of business rate revenues are projected to be £50.646m for 2017/18. This estimate has been revised to take account of the LGFS, the operation of the GM 100% Business Rates Retention Pilot Scheme and the result of 2017 revaluation.

Council Tax and Adult Social Care Precept

- 11.5 Council Tax is the largest single revenue stream that is used to support the Council's revenue budget. Council Tax and Adult Social Care Precept income changes each year due to changes in the tax base (increase/decrease in chargeable Band D equivalent properties), fluctuations in collection rate and the Council's annual decisions on the level of the tax.
- 11.6 Each year the Council is required to review its Tax Base by considering the:
- numbers of properties within the boundary of the borough which determines the number of Band D equivalent properties upon which the Council Tax calculations are based; and
 - anticipated level of Council Tax that will be collected known as the Collection Rate.
- 11.7 On 23 January 2017 Cabinet considered the calculation of the Council Tax Base for 2017/18. The approved tax base has increased by 499 from 54,406 to 54,905. Compared to figures presented in previous budget reports, this will generate additional Council Tax of £0.163m and Adult Social care precept of £0.007m (assuming a band D increase of 1.99% for Council Services and 2% for Adult Social Care). The tax base calculations are summarised in Appendix 2.
- 11.8 The tax base beyond 2017/18 is estimated to increase by around 400 Band D equivalent properties per annum to 2020/21 resulting from the building of new properties, 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.
- 11.9 On 14 December 2016, Council approved the Council Tax Reduction Scheme for 2017/18. The scheme itself is unchanged when compared to 2016/17 and thus has a neutral impact on the financial projections presented in this report.
- 11.10 From 2016/17, the Government allowed Councils to increase Council Tax to generate an Adult Social Care Precept. This additional funding must be ring-fenced to support the increased costs of Adult Social Care, in part caused by increases in the National Living Wage and the consequent impact on the cost for provision of care. The Government's calculation of CSP assumes this precept is levied by Oldham and by all Councils. On this basis, it is assumed that the precept, which has to be highlighted separately on the face of the Council Tax bill, will continue to be charged at the levels assumed in the Government's own CSP calculations.
- 11.11 Members are however reminded that the Council Tax and Adult Social Care Precept estimates presented in this report are merely an illustration. The actual level of Council Tax and Adult Social Care Precept to be charged is a matter to be decided by Budget Council. To that end, the Administration's Budget Proposals report (elsewhere on the agenda) sets out details of their proposed increase for Council Tax and Adult Social Care Precept.

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- 11.12 Members are also reminded that the Council is required to calculate its Relevant Basic Amount (RBA) of Council Tax to determine whether there is a requirement to hold a referendum about a Council Tax increase above a level that the Government considers excessive. This “excessiveness” is determined annually but for 2017/18 has been increased from 4% to a 5% increase in the RBA of Council Tax comprising 3% for the Adult Social Care Precept and 2% for other services. As a result of the changes in legislation arising from the passing of the Local Audit and Accountability Act 2014, the change in the RBA of Council Tax is now equivalent to the change in Band D headline Council Tax. Any increase below 5% would not therefore be classed as excessive and would not trigger a referendum. Although the Adult Social Care Precept element has increased from 2% to 3%, the Government has stated that increases must still not exceed 6% for the remainder of the spending review period to 2019/20. This means for example if the Adult Social Care Precept is increased by 3% in both 2017/18 and 2018/19, it must be frozen in 2019/20. Alternatively, Councils could levy a 2% increase per annum up to 2019/20.
- 11.13 To ensure that Councils are using income from the precept for adult social care, Councils will be required to publish a description of their plans, including changing levels of spend on adult social care and other services. This will require sign off from the Council’s Chief Finance Officer (The Director of Finance). This is a new requirement for 2017/18.
- 11.14 Although Government has only indicated that the Adult Social Care Precept will continue to 2019/20, the MTFs assumes it will continue beyond the current spending review period which ends in 2019/20.

Parish Precepts

- 11.15 Parish Precept income is collected by the Council on behalf of the Saddleworth and Shaw and Crompton Parish Councils. These precepts are included on the Council Tax bills of properties falling within these parish areas. The revenue collected is for the benefit of each parish and thus has no impact on the financial projections presented in this report.

Fees and Charges

- 11.16 The provision of many Council services relies on the collection of revenue from fees and charges. Specific proposals in relation to fees and charges are set out in the Administration’s Budget Proposals report (elsewhere on the agenda).

12 2016/17 Collection Fund Forecast Outturn Position

- 12.1 The Collection Fund is a statutory fund separate from the General Fund of the Council. The Local Government Finance Act 1992 (as amended) requires that the Council as the Billing Authority calculates a Collection Fund estimate on 15 January each year. This may produce a Council Tax surplus or deficit which can then be distributed to the Council and the two precepting bodies, the Police and Crime Commissioner for Greater Manchester (PCCGM) and the Greater Manchester Fire and Rescue Authority (GMFRA). In addition, the Business Rates surplus or deficit can be distributed to the Council, GMFRA and Central Government.
- 12.2 The precepting bodies were notified in accordance with the statutory deadline of 15 January 2017 that no overall surplus or deficit on the Collection Fund for 2016/17 is anticipated.

13 Reserves and Balances

- 13.1 The forecasts presented in this budget and medium term financial strategy reflect the approved use of reserves including:
- £0.250m of support approved as part of the 2016/17 budget process committed until 2019/20;
 - £0.373m approved by Council on 14 December 2016 as part of Phase 1 budget savings.
- 13.2 The current reserves position is summarised in the following table:

Table 15 – Reserves Position

Earmarked Reserves	2016/17	2016/17
	Opening Balance	Estimated Closing Balance
	£000	£000
Adverse Weather Reserve	(1,600)	(1,600)
Business Units Reserve	(1,109)	(1,022)
Council Initiatives	(5,839)	(4,613)
Demand Changes	(4,952)	(3,152)
Directorate Reserves	(5,555)	(3,778)
District Executives Reserve	(808)	0
Emergency and External Events	(2,500)	(2,500)
Fiscal Mitigation	(7,988)	(7,161)
Insurance Reserve	(12,968)	(12,968)
Integrated Working	(6,638)	(1,948)
Levy reserve	(2,643)	(1,773)
Life Cycle Costs	(11,699)	(11,699)
Regeneration Reserve	(14,320)	(14,212)
Taxation Reserve	(603)	(603)
Transformation Reserve	(14,921)	(11,569)
Sub-Total	(94,143)	(78,598)
Approved Use of Reserves 2017/18		623
Total		(77,975)

13.3 Although the estimated balance at the end of 2016/17 is £78.598m, this will be reduced to £77.975m by decisions already made and any additional call on reserves to balance the 2017/18 budget will impact on resources available. In addition the call down of some of these reserves is committed into future financial years and also to support capital projects and so are not available for alternative uses.

13.4 Having regard to all relevant information, the level of General Fund balances required to support the 2017/18 budget has been revised to £14.739m. Under Section 25 of the Local Government Act 2003, the Chief Finance Officer is required to prepare a statement on the adequacy of proposed financial reserves and the robustness of the budget estimates. The details of this assessment are included in a report elsewhere on the agenda. Members are reminded, therefore, that any budget proposals presented at Budget Council have been subject to a risk assessment undertaken by the Director of Finance.

14 Revised Budget Gap Forecast - Summary of changes since 14 December 2016

14.1 Bringing together all of the assumptions and information set out earlier in this report the budget gap for 2017/18 has reduced by £5.331m from £20.315m to £14.984m.

14.2 The impact of revisions to assumptions for the period 2017/18 to 2020/21, compared to the position reported in December 2016 is presented in Table 16 below and may be summarised as:

Base Budget Adjustments and Expenditure Pressures

14.3 Since December Council, a number of developments have meant it is necessary to adjust base budget estimates and revisit a number of expenditure pressure calculations each of which is included in the preceding paragraphs.

Final LGFS and Associated Funding Announcements

14.4 Section 10 of this report sets out the position with regard to the LGFS. Compared to previous estimates presented in December. Information about the impact of changes to Education funding is set out in paragraphs 3.25 and 3.26.

Locally Generated Income

14.5 As explained in Section 11 of the report, improved Council Tax Base projections will result in an increase in Council Tax revenues of £0.170m in 2017/18, £0.007m of which relates to the Adult Social Care precept.

14.6 An overall summary of the Council's revenue budget gap forecast for 2017/18 to 2020/21 is presented at Appendix 3. However the change of £5.331m since the December budget report can be summarised as follows meaning there is still a budget gap of £8.837m for 2017/18.

Table 16 – Change to Budget Gap since 14 December 2016

Budget Gap Revisions	2017/18 £000	2018/19 £000	2019/20 £000	2020/21 £000
Budget Gap as at 5 September 2016	20,315	34,014	45,185	53,823
Agreed Budget Reductions 14 December 2016	(5,774)	(5,729)	(5,729)	(5,729)
Agreed Use of Reserves 14 December 2016	(373)	0	0	0
Budget Gap as at 14 December 2016	14,168	28,285	39,456	48,094
Budget Adjustments/Expenditure Pressures				
- FYE of 2016/17 Budget Changes	(2,084)	(2,686)	(2,996)	(3,270)
- Pensions	0	(268)	(944)	(671)
- Investment Fund	(1,482)	(2,778)	(3,878)	(2,578)
- Levies	(1,117)	(379)	(2,721)	(3,713)
- Homelessness	250	250	250	250
- Home to School Transport	350	350	350	350
- Allocation of Business Plan	(600)	(600)	(600)	(600)
LGFS/Changes to Funding				
- Impact of changes in Education Funding	494	494	494	494
- Impact of changes in Early Years Funding	600	833	833	833
- Adult Social Care Support Grant	(1,127)			
- Education Services Grant - General Rate	(60)			
- DSG - Impact of Education Services Grant Transfer	(20)	(20)	(20)	(20)
- New Homes Bonus Reform		880	1,346	1,812
- New Homes Bonus Returned Funding	(143)			
- Housing Benefit Administration Grant	(106)			
- Council Tax Administration Grant	(106)	(96)	(86)	(77)
- Lead Local Flood Authority Grant	(10)	(11)	(12)	
Locally Generated Income				
- Council Tax Tax Base Increases	(163)	(165)	(170)	(172)
- ASC Precept Tax Base Increases	(7)	(9)	(13)	(17)
Revised Budget Gap	8,837	24,080	31,289	40,715
Reduction in Budget Gap	(5,331)	(4,205)	(8,167)	(7,379)

14.7 As highlighted at paragraph 14.1 the budget gap previously calculated at £20.315m has reduced by £5.331m to £14.984m. As Phase 1 proposals have been approved by Council at £6.147m then as the table implies, a budget gap of £8.837m is still to be addressed rising to £40.715m cumulatively by 2020/21.

14.8 The changes in Table 16 are as presented to PVFM on 26 January 2017 with the exception of the Levies adjustment which has seen a further reduction of £0.461m following the notification of final levy figures during February 2017 and New Homes Bonus Returned Funding which has reduced by £0.003m following the Final Local Government Finance Settlement.

15 Finalisation of Budget Proposals

15.1 A separate report setting out the Administration's Budget Proposals for 2017/18 and beyond is included elsewhere on the agenda. This report also discloses a proposed Council Tax and Adult Social Care Precept increase for 2017/18 as well as the impact of 2017/18 budget setting on future year's budget gap estimates.

15.2 The budget gap through to 2020/21 remains significant. If balanced budgets beyond 2017/18 are to be achieved, the Council must resolve to develop, approve and deliver wide ranging budget reduction proposals which will undoubtedly carry material policy, service delivery and staffing implications. The Efficiency Plan approved by Cabinet on 19 September 2016 presented the action that the Council would take to review its budget and propose budget reductions over the period to 2019/20 to meet Government requirements. In line with the Councils own planning timeline to 2020/21, the Efficiency Plan also covered activities for the four year timeframe. The key themes included in the Plan that will be addressed within the financial planning framework for future years will include:

- Health and Social Care devolution
- The wider impact of devolution
- Developing the Early Help agenda
- Use of new technology
- A review of corporate priorities
- A review of service operational arrangements
- Contract review
- Property and commercial investment
- Partnership working
- Developing the co-operative agenda
- Income generation and improving income collection
- Developing the regeneration agenda
- Bidding for external funding
- Maximising the Treasury Management position of the Council
- Reviewing the availability of reserves and balances

16 Options/Alternatives

16.1 There are two options as follows:

- Option 1 – to accept the assumptions and resulting financial forecasts presented at Section 14 and Appendix 3 of the report.
- Option 2 – To propose amendments to the assumptions which will change the resulting budget gap and financial forecasts.

17 Preferred Option

17.1 Option 1 is the preferred option. Assumptions are based on objective research and the latest available information. Changes to those assumptions and resulting forecasts that are not evidence based will impact on the robustness of the estimates and the 'Section 25' Risk Assessment of the Budget that has been carried out by the Director of Finance (see report elsewhere on the agenda).

18 Consultation

18.1 An earlier version of this report was presented to and noted by the Overview and Scrutiny Performance and Value for Money Select Committee on 26 January 2017. Presentation to the PVFM Select Committee of the report was a key stage in the budget consultation process. Public consultation on specific Phase 1 budget proposals concluded on 29 November 2016. There was no requirement for Public consultation on Phase 2 proposals. A summary of the findings from the consultation is included within the Administration's Budget Proposals report included elsewhere on the agenda. The report was also considered, approved and commended to Council by Cabinet at its meeting on 20 February 2017.

19 Financial Implications

19.1 Financial Implications are dealt with in full within the detail of the report.

20 Legal Services Comments

20.1 Legal issues are addressed in the body of the report. The Council has a legal obligation to pass a resolution to agree its budget and Council Tax resolutions by 11 March 2017.

(Colin Brittain)

21 Co-operative Agenda

21.1 The revenue budget projections have been prepared so that they embrace the Council's co-operative agenda with resources being directed so that the aims, objectives and co-operative ethos of the Council are enhanced.

22 Human Resources Comments

22.1 It is clear given the numerous external influences, Government policy direction and general pressures over the MTFS period that the Council will continue to need to respond flexibly to change. Any such change which directly or indirectly impacts on the People Strategy, employees or their employment terms in this and future years will be supported by People Services considered and dealt with in accordance with the Council's practices, policies and procedures and any statutory requirements in place at that time. This will include proper and meaningful engagement with Trades Unions and staff.

(Sally Blackman)

23 Risk Assessments

23.1 There are a wide range of issues which could impact on the MTFS and projections. A regular review of projections will ensure that any key changes are highlighted immediately.

24 IT Implications

24.1 There are no IT implications arising directly from this report. However, any impacts on IT arising from specific budget proposals are dealt with in the report covering the Administration's Budget Proposals (elsewhere on the agenda).

25 Property Implications

25.1 There are no property implications arising directly from this report. However, any impacts related to property/asset management arising from specific budget proposals are dealt with in the report covering the Administration's Budget Proposals (elsewhere on the agenda).

26 Procurement Implications

26.1 There are no procurement implications arising directly from this report. However, any impacts related to the procurement of goods and services arising from specific budget proposals are dealt with in the report covering the Administration's Budget Proposals (elsewhere on the agenda). Specific procurement implications will be addressed in full liaison with procurement and in compliance with all necessary Council and statutory requirements.

27 Environmental and Health & Safety Implications

27.1 There are no environmental and health and safety implications arising directly from this report. However, any impacts arising from specific budget proposals are dealt with in the report covering the Administration's Budget Proposals (elsewhere on the agenda).

28 Equality, community cohesion and crime implications

28.1 There is a positive duty on all public bodies, including Councils, to promote race, gender and disability equality. The Council meets the requirements.

29 Equality Impact Assessment Completed?

29.1 There are no equalities implications arising directly from this report. However, equality impact assessments arising from specific budget proposals are included where necessary alongside specific budget reduction proposals.

30 Key Decision

30.1 Yes

31 Key Decision Reference

31.1 CFHR-13-16

32 Background Papers

32.1 The following is a list of the background papers on which this report is based in accordance with the requirements of Section 100(1) of the Local Government Act 1972. It does not include documents, which would disclose exempt or confidential information as defined by that Act.

File Ref: Background papers are contained in Appendices 1 to 3
Officer Name: Anne Ryans
Contact No: 0161 770 4902

33 Appendices

Appendix 1 Key Stakeholder Impact Analysis
Appendix 2 Calculation of Council Tax Tax Base for 2017/18
Appendix 3 Forecast Revenue Budget Position 2017/18 to 2020/21 (Prior to Final Budget Proposals)

Key Stakeholder Impact Analysis

The following tables detail the key stakeholders that are integral to supporting the Council in providing services. This analysis is used to assess the impact of the budget setting process and medium term financial strategy on these key stakeholders.

Health & Wellbeing

Stakeholder	What potential impact might the Council have on them?	Key Joint Programmes	What potential impact might they have on the Council?	Level of potential influence over the Council	Level of interest in the Council's activity	Risks if they are not engaged
Oldham Clinical Commissioning Group (CCG)	<p>Health and Social Care Devolution means that Oldham Council and Oldham Clinical Commissioning Group have begun taking joint control and responsibility of Oldham's integrated Health & Social Care Budget as of April 2016.</p> <p>The Council and CCG are aiming to develop joint governance and commissioning arrangements and will hold shared responsibility for the Oldham health and social care budget and outcomes from 2017.</p> <p>The Locality Plan for Health and Social Care Devolution sets out how that integration might work in reality and the principles that both organisations will sign up to.</p>	<p>Health and Social Care Devolution and the Oldham Locality Plan</p> <p>Better Care Fund</p> <p>GM Transformation Fund</p> <p>GM Healthier Together Programme</p> <p>Social Value and Health Programme</p>	<p>The joint responsibility and control of integrated health and social care means that financial decisions of the Council and CCG will impact greatly upon each other and each will be required to make joint budget decisions</p> <p>Both the CCG and Council will need to be more aware of each other's financial decisions including implications for areas outside of any integrated health and social care commissioning system.</p> <p>The CCG and Council have begun to work together to obtain funding from the GM Transformation Fund – a significant funding stream to</p>	High	High	<p>If not engaged then high risk that integration will not be achieved and outcomes won't be met.</p> <p>It is necessary to engage on budget decisions that sit outside of integration but could impact on outcomes.</p> <p>May fail to obtain adequate funding from GM Transformation Fund</p>

Stakeholder	What potential impact might the Council have on them?	Key Joint Programmes	What potential impact might they have on the Council?	Level of potential influence over the Council	Level of interest in the Council's activity	Risks if they are not engaged
	Any decision that the CCG or Council makes on health and social care related budgets that sit outside of the agreement could impact on the overall outcomes.	Co-operative communities (previously Thriving Communities)	support health and social care innovation.			
Pennine Acute (Acute Health provider agency)	<p>The Council commissions and delivers many services that help prevent demand for acute health services (and will begin to commission more jointly with the CCG under Health and Social Care Devolution). If the Council is forced to cut these preventative services, this may ultimately increase demand on acute health services.</p> <p>In addition, the impact of health and social care devolution means that Pennine Acute will need to be aware of the joint health and social care ambitions of the CCG and Council and the joint commissioning intentions.</p>	<p>Health and Social Care Devolution</p> <p>GM Healthier Together Programme</p>	<p>Under devolution there is more potential for Pennine Acute, the Council and Oldham CCG to invest and integrate services and explore joint models of care.</p> <p>The 2016 CQC report and recent failings detailed within have an impact on Oldham.</p>	High	High	An integrated health and social care system may mean that the Council has more responsibility and influence over acute care (in partnership with the CCG) so more engagement might be needed than previously.
Pennine Care (Community Health Provider Agency)	Many community health services have direct service delivery links with Oldham Council. Any changes to (especially reductions in)	Health and Social Care Devolution	The Council is working closely with Pennine Care to deliver integrated health and social care teams and to explore other models of	High	High	Close working between the Council and Pennine Care will be crucial

Stakeholder	What potential impact might the Council have on them?	Key Joint Programmes	What potential impact might they have on the Council?	Level of potential influence over the Council	Level of interest in the Council's activity	Risks if they are not engaged
	<p>Council services that interact with CCG commissioned services may therefore require matched alterations in the CCG commissioned services to enable the joint offer to continue to be viable.</p> <p>In addition, the impact of health and social care devolution means that Pennine Care will need to be aware of the joint health and social care ambitions of the CCG and Council and the joint commissioning intentions.</p>	Co-operative communities (previously Thriving Communities)	integrated care for the future to achieve efficiencies and support residents to be more independent and self-reliant.			in enabling us to achieve integration and re-design services locally to reduce demand on high-cost, reactive services.
Oldham Community Leisure Limited (OCLL) (provider)	OCLL receives the majority of its funding from Oldham Council. The Council's financial decisions may therefore have a direct impact on the OCLL contract value.	Active Oldham	The way OCL delivers its services has the potential to support the Council's co-operative ethos and to support the move towards encouraging residents to be more independent and self-reliant	High	High	As the key commissioners, if the Council chooses to alter their commission, OCLL will be bound to comply. However, their willingness in doing this will make it more likely to succeed.

Stakeholder	What potential impact might the Council have on them?	Key Joint Programmes	What potential impact might they have on the Council?	Level of potential influence over the Council	Level of interest in the Council's activity	Risks if they are not engaged
Positive Steps Oldham (PSO) (Provider)	PSO receives the majority of its funding from Oldham Council. This Council's financial decisions may therefore have a direct impact on the PSO contract value.	Early Help Co-operative communities (previously Thriving Communities)	The way PSO delivers its services has the potential to support the Council's co-operative ethos and to support the move towards encouraging residents to be more independent and self-reliant	High	High	As the key commissioners, if the Council chooses to alter their commission, PSO will be bound to comply. However, their willingness in doing this will make it more likely to succeed.

Co-operatives and Neighbourhoods

Stakeholder	What potential impact might the Council have on them?	Key Joint Programmes	What potential impact might they have on the Council?	Level of potential influence over the Council	Level of interest in the Council's activity	Risks if they are not engaged
Housing Providers	The Council provides a range of support to tenants in Social Housing - for example, employment-related support and social care support. If these services are altered, Oldham Housing Investment Partnership (OHIP) members would see a change in the services offered to their tenants.	<p>Co-operative Housing Offer</p> <p>Residential Strategy</p> <p>Coops & Neighbourhoods Cluster</p> <p>Early Help</p> <p>Place Leadership/ Co-operative communities (previously Thriving Communities)</p> <p>GM Reform Board</p> <p>Motiv8</p>	<p>Changes to the welfare system and housing benefit are likely to have a significant impact on housing providers and their sustainability which may result in a reduction in services to support residents and therefore impact on the Council.</p> <p>Housing providers are integral to the Council in providing services around early help and more integrated neighbourhood management arrangements. They are a lead stakeholder in the thriving communities programme, leading the place based early adopter in Holts and Lees. Housing providers are also a key element of the wider GM reform agenda influencing policy at GM and local level.</p> <p>Social Housing Providers have significant influence over their tenants - a joint message supporting independence and</p>	High	High	<p>Failure to agree a joint message may result in activity from both organisations being ineffective.</p> <p>If social housing providers don't engage with the Council and decide to stop delivering services due to welfare and housing benefit changes this could potentially have a significant impact.</p>

Stakeholder	What potential impact might the Council have on them?	Key Joint Programmes	What potential impact might they have on the Council?	Level of potential influence over the Council	Level of interest in the Council's activity	Risks if they are not engaged
			self-reliance will increase the likelihood of achieving this objective; conversely, if we do not agree a joint message, there is the potential for us to undermine each other when working with social housing tenants.			
Greater Manchester Fire & Rescue Service (GMFRS)	The Council commissions and delivers many services that help reduce demand on GMFRS. If the Council is forced to reduce these preventative services, this may ultimately increase demand on GMFRS.	Community Risk Intervention Team (CRIT) Troubled Families Early Help Community Safety and Cohesion Partnership	As GMFRS move towards a preventative model (beyond the Fire and Rescue role) and implement more joint partnership initiatives such as the CRIT they are likely to have a greater impact on the Council and reducing demand on some services like health and social care. They are increasingly playing a stronger role within the reform agenda both at GM and locally	Medium	Medium	Failure to work jointly may result in resources being used ineffectively.
Greater Manchester Police (GMP)	The Council commissions and delivers many services that help reduce demand on GMP. If the Council is forced to reduce these preventative services, this may ultimately increase demand on GMP.	Early Help Troubled Families and Transforming Justice, Multi Agency Strategic Hub (MASH)	If GMP can support the Council in identifying people likely to place high demand on GMP and to develop joint interventions to change residents' behaviours to reduce this demand, then this will benefit GMP by reducing demand and contribute to	High	High	Failure to work jointly may result in resources being used ineffectively.

Stakeholder	What potential impact might the Council have on them?	Key Joint Programmes	What potential impact might they have on the Council?	Level of potential influence over the Council	Level of interest in the Council's activity	Risks if they are not engaged
		<p>Coops & Neighbourhoods Cluster</p> <p>Community Safety and Cohesion Partnership</p> <p>Place Leadership/ Co-operative communities (previously Thriving Communities)</p>	<p>overall objectives of increasing residents' independence and self-reliance.</p> <p>GMP are a key stakeholder in the Thriving Communities programme and the early adopter in Holts and Lees in-particular</p>			
Greater Manchester Probation Service	The Council commissions and delivers many services that help reduce demand on the GM Probation Service. If the Council is forced to reduce these preventative services, this may ultimately increase demand on the GM Probation Service.	Transforming Justice	If the GM Probation Service supports the Council in identifying people likely to place high demand on GM Probation and to develop joint interventions to change residents' behaviours to reduce this demand, then this will benefit GM Probation by reducing demand and contribute to overall objectives of increasing residents' independence and self-reliance.	Medium	Medium	Failure to work jointly may result in resources being used ineffectively
Voluntary Action Oldham (VAO)	Nearly 40% of funding to the voluntary sector comes from the Council – any budget reduction	Society Works Early Help	The Council and VAO are working together to enhance the co-operative ethos and to build a co-operative future as	Medium	High	Failure to work jointly may result in resources

Stakeholder	What potential impact might the Council have on them?	Key Joint Programmes	What potential impact might they have on the Council?	Level of potential influence over the Council	Level of interest in the Council's activity	Risks if they are not engaged
	<p>is likely to have a significant impact on the sector and VAO. The Council's co-operative ethos encourages us to work strongly with the voluntary and community sector to strengthen the community's ability to help themselves. This requires close liaison with the voluntary and community sector - both in terms of support from the Council and in terms of the shape of the services offered through the voluntary and community sector, and how they relate to public sector services.</p> <p>The Social Value in health programme aims to build the third sector market in health and social care so they are in a better commissioning place under an integrated health and social care regime.</p>	<p>Social Value and Health Programme</p> <p>Coops & Neighbourhoods Cluster</p> <p>Co-operative communities (previously Thriving Communities)</p>	<p>part of the devolution deal. VAO is able to provide advice, support and guidance to those voluntary organisations taking up the challenge and working collaboratively with the Council. It can also help us shape a future – particularly under devolution. VAO is a key stakeholder in the Co-operative Communities programme.</p>			<p>being used ineffectively.</p>
<p>Oldham Citizens Advice Bureau (CAB)</p>	<p>CAB provides a vital advice and support service to the borough's residents. The impact of spending and service reductions across the public sector is likely to have an impact on the demand for CAB services. In</p>	<p>Early Help</p>	<p>A reduction in CAB activity could mean residents don't have access to advice and support on a wide range of issues.</p>	<p>Medium</p>		<p>Failure to engage could have reputational impact</p>

Stakeholder	What potential impact might the Council have on them?	Key Joint Programmes	What potential impact might they have on the Council?	Level of potential influence over the Council	Level of interest in the Council's activity	Risks if they are not engaged
	addition, CAB receive grant funding from Oldham Council					
Oldham Community Power (OCP)	The Council provides support to OCP with officer time and a financial loan facility of £0.274m, as well as indirect support through GM-level community energy activities. If the Council were to reduce this support, it may impact OCP's ability to expand and develop its activities.	Generation Oldham	As OCP grows in capability and size, it will positively impact the Council by reducing energy bills for schools and community groups, provide training opportunities and assist in the community asset transfer programme, as well as helping the borough to meet its carbon emission reduction targets.	Medium (in the longer term)	Medium	Reputational impact for the co-operative agenda

Economy & Skills

Stakeholder	What potential impact might the Council have on them?	Key Joint Programmes	What potential impact might they have on the Council?	Level of potential influence over the Council	Level of interest in the Council's activity	Risks if they are not engaged
<p>Education providers: Oldham Primary Heads, Oldham Secondary Heads, Oldham College & Oldham Sixth Form College</p>	<p>The change to Further Education under devolution is likely to impact on the adult skills budget and provision in Oldham. The Area Review might also impact on college provision.</p> <p>The Oldham Education and Skills Commission (OESC) will have a big impact on school education in Oldham with clear recommendations on developing an independent system, the role of the Oldham teacher and much more.</p> <p>The Council commissions and provides a range of services that dovetail with those provided by formal education providers. For example, Lifelong Learning, the Wellbeing Service, Connexions service. Changes to these services may result in a need to reconfigure the links between the services and the education providers.</p> <p>The Apprenticeship levy will be introduced in 2017 which will have a big impact on vocational FE routes. The Council and other large</p>	<p>Oldham Education Commission</p> <p>Education & Skills Cluster</p> <p>GM Local Area Review</p> <p>Apprenticeship levy</p> <p>Areas Opportunity Funding DfE</p>	<p>The changes to FE provision under devolution and the potential impact of the Area Review at GM could have a big impact on post 16 education provision and adult learning in Oldham – which in turn could have an impact on adult skills. Skill levels are recognised as being poor in Oldham and require improvement as they are key to economic success.</p> <p>The willingness of education providers to work with the Council to implement the OESC recommendations will be critical to driving attainment in the borough.</p> <p>The introduction of the apprenticeship levy in 2017 will change the role between FE and vocational routes via the Council.</p> <p>Oldham has been chosen as a potential area for funding via the DfE on social mobility and the willingness of education to</p>	<p>Medium/High</p>	<p>High (but more about GM activity)</p>	<p>Failure to engage could disjoint education and skills from wider work areas.</p>

Stakeholder	What potential impact might the Council have on them?	Key Joint Programmes	What potential impact might they have on the Council?	Level of potential influence over the Council	Level of interest in the Council's activity	Risks if they are not engaged
	employers will be required to implement the requirements.		engage in this will be key to receiving any funding.			
Job Centre Plus (JCP)	One of the Council's key priorities is to support people into employment through Get Oldham Working. The relationship with Job Centre Plus is crucial in the success of this endeavour. In addition, JCP are likely to be direct beneficiaries of the success of the Get Oldham Working programme.	Get Oldham Working	There is a strong synergy between the work of Job Centre Plus and the Council around its Get Oldham Working and other employment initiatives. By working with the Council, joint objectives around improving the employability of Oldham residents can be delivered	Medium		Failure to work jointly may result in resources being used ineffectively.
Oldham Business Leaders Group and Economy and Skills Partnership	<p>The group of business leaders is key in enabling business start-ups and enterprise and may benefit from any business start-up/youth enterprise funding.</p> <p>There is also a strengthened Economy and Skills Partnership with higher levels of private sector engagement – modelled on the SIF capabilities</p>	<p>Youth Enterprise</p> <p>GM Local Enterprise Partnership (LEP)</p> <p>Economy & Skills Cluster</p> <p>Work and Skills Strategy</p> <p>Strategic Investment Framework</p>	<p>Potential impact in terms of influence and engagement with business and securing investment.</p> <p>Potential impact on the SIF capabilities and ability to grow these in Oldham.</p>	Low to Medium	Low to Medium	Failure to work jointly has reputational impact

Stakeholder	What potential impact might the Council have on them?	Key Joint Programmes	What potential impact might they have on the Council?	Level of potential influence over the Council	Level of interest in the Council's activity	Risks if they are not engaged
<p>Department of Work and Pensions (DWP)</p>	<p>The DWP is a key potential beneficiary if Oldham's focus on supporting people into employment is successful - the numbers of people in receipt of benefits will reduce considerably if the Council meets its targets. Conversely, if the project is unsuccessful due to the need to make cuts in preventative services, DWP may experience increased costs from higher numbers of unemployed people. This is reflected in GM analysis showing that total public spend in GM has remained static 2008-present because DWP spend has increased as spend in proactive services has reduced.</p> <p>Under devolution, Local Authorities will be able to influence the commissioning of the work programme from 2016 which could mean greater influence for the Council over DWP commissioning.</p>	<p>Get Oldham Working</p> <p>Economy & Skills Cluster</p>	<p>There is the potential for DWP to choose to invest jointly with the Council in supporting Get Oldham Working, recognising the financial benefits of doing this. This could build on the Work Programme Leavers-type financial arrangements being trialled with GM.</p> <p>There is an opportunity for DWP and the Council (and AGMA) to work more closely with work programme commissioning under the devolution deal.</p>	<p>Medium</p>	<p>Medium</p>	<p>It is important to engage over the work programme. Council spending reductions are likely to have significant impact on residents and the demand placed on the system if we fail to engage effectively on a joint approach to funding programmes to support people into work.</p>

Commercial and Wider

Stakeholder	What potential impact might the Council have on them?	Key Joint Programmes	What potential impact might they have on the Council?	Level of potential influence over the Council	Level of interest in the Council's activity	Risks if they are not engaged
Department for Communities and Local Government (DCLG)	The Council receives funding and policy direction from DCLG. Softer implications relate to how willing they are to support the Council (via GM) in negotiations with other Government departments, especially DWP.	DCLG Transformation Fund	Ability to influence the funding settlement for Local Government politically and influence of Oldham at the Local Government Association (LGA).	Medium	Low	Engagement is beneficial in terms of drawing down funding and resources
The Association of Greater Manchester Authorities (AGMA)/GMCA	<p>Under the devolution deal, the Council will play a more significant role within AGMA and the GM structures which will impact on resources, particularly the capacity of staff and Members – especially at a senior level.</p> <p>Currently we lead in areas such as Inclusive Growth and Mental Health and this is likely to increase as the region moves towards more devolved powers.</p> <p>Oldham has a positive role to play in influencing the direction of Greater Manchester especially in areas such as reform and a new relationship between citizen and state.</p>	<p>GM Devolution deals</p> <p>Emerging policy – Place Leadership, Inclusive Growth</p> <p>Vanguards – in health and PSR</p> <p>Lead programmes</p> <p>GM funding streams</p> <p>GM LEP</p>	There is high potential for more shared services between AGMA councils as well as more shared policy and direction coming from AGMA through to Councils over the next five years.	High	High	Failure to play a positive role within AGMA may result in the loss of resources and influence.

Stakeholder	What potential impact might the Council have on them?	Key Joint Programmes	What potential impact might they have on the Council?	Level of potential influence over the Council	Level of interest in the Council's activity	Risks if they are not engaged
	It is important that, economically, Oldham gets a fair deal and that economic policies are based on need rather than overall GM targets.					
Unity (Strategic Service Delivery Partner)	Most of the Unity income base is from Oldham Council.	Range of commissioned services	In providing operational and strategic support on key services, this partnership can provide support, advice and guidance to the Council on the delivery of efficiencies and cost reductions.	High	High	Failure to work jointly may result in resources being used ineffectively and budget reduction proposals not being achieved.

CALCULATION OF COUNCIL TAX TAX BASE 2017/18 (Based on all properties)

Bands	A reduced	A	B	C	D	E	F	G	H	TOTAL
Total number of Dwellings on the Valuation List		50,367	16,971	15,945	6,714	3,259	1,513	865	76	95,710
Total number of Exempt and Disabled Relief Dwellings on the Valuation List	127	(1,168)	(205)	(230)	(80)	(43)	5	(13)	(24)	(1,631)
No. of Chargeable Dwellings	127	49,199	16,766	15,715	6,634	3,216	1,518	852	52	94,079
Less: Estimated discounts, exemptions and disabled relief	(8.75)	(5,838.5)	(1,427.5)	(1,112.5)	(349.25)	(156)	(69)	(39.75)	(2)	(9,003.25)
Total equivalent number of dwellings after discounts, exemptions and disabled relief	118.25	43,360.5	15,338.5	14,602.5	6,284.75	3,060	1,449	812.25	50	85,075.75
Factor stipulated in regulations	5/9	6/9	7/9	8/9	9/9	11/9	13/9	15/9	18/9	
Band D equivalent	65.7	28,907	11,929.9	12,980	6,284.75	3,740	2,093	1,353.75	100	67,454.1
Net effect of Local Council Tax Support Scheme (LCTSS) and other adjustments										(11,036.5)
Additional Net Dwellings due to come online in 2017/18 based on known regeneration within the Borough										250
TOTAL AFTER LCTSS AND OTHER ADJUSTMENTS										56,667.6
Multiplied by estimated collection rate										96.89
BAND D EQUIVALENTS										54,905

For information: Parish Council Tax Tax Bases –

Saddleworth 8,458

Shaw & Crompton 5,316

Forecast Revenue Budget Position 2017/18 to 2020/21 (Prior to Final Budget Proposals)

Estimated revenue position 2017/18 to 2020/21	2017/18	2018/19	2019/20	2020/21
	£000	£000	£000	£000
Agreed Base Position	197,824	197,824	197,824	197,824
Adjustment for One Off Changes in 2016/17	(7,171)	(7,171)	(7,171)	(7,171)
Impact of 2016/17 Budget Reductions and Service Changes	(229)	(452)	(452)	(452)
Full year effect of Policy Changes	(4,627)	(4,830)	(4,830)	(4,830)
Activity transferring to the Dedicated Schools Grant	(640)	(640)	(640)	(640)
Public Health Grant Roll In	17,337	16,886	16,447	16,019
Revised Base Position	202,494	201,617	201,178	200,750
Additional Expenditure Pressures for 2017/18 and future years				
- Pensions	662	1,063	1,063	2,019
- Pay Award	1,000	2,020	3,060	4,121
- Inflation	1,480	2,797	4,253	5,748
- Investment Fund	200	1,200	2,100	4,400
- Business Plan	0	1,000	2,000	3,000
- Homelessness	250	250	250	250
- Home to School Transport	350	350	350	350
- Levies	932	3,374	1,852	1,723
- End of Change to Terms and Conditions	2,000	2,000	2,000	2,000
- Social Care Demand	3,000	3,000	3,000	3,000
- Adults Social Care - Impact of NLW	2,445	4,912	7,157	9,412
- Other Social Care Pressures - Improved Better Care Fund	716	4,687	8,150	8,150
- Support for Public Health Services	796	1,247	1,686	2,114
- Coroners Service	250	250	250	250
- Apprentice Levy	400	400	400	400
- Impact of changes in Education Funding	494	494	494	494
- Impact of changes in Early Years Funding	600	833	833	833
- SEND Implementation	203	203	203	203
- Implementation of Universal Credit	283	283	283	283
- New Burdens - Department for Work and Pensions	10	10	10	10
- Revised Parish Precept	12	12	12	12
Expenditure Pressures Total	16,083	30,385	39,406	48,772
Agreed Budget Reductions	(5,774)	(5,729)	(5,729)	(5,729)
Total Expenditure	212,803	226,273	234,855	243,793

Estimated revenue position 2017/18 to 2020/21	2017/18 £000	2018/19 £000	2019/20 £000	2020/21 £000
Funded By:				
Government Grant				
- Business Rates Top Up	54,747	47,692	40,610	35,321
- Grants in Lieu of Business Rates	5,271	5,376	5,484	5,594
- Revenue Support Grant	0	0	0	0
- Education Services Grant	774	0	0	0
- Improved Better Care Fund Grant	716	4,687	8,150	8,150
- Independent Living Fund (ILF) Grant	2,748	2,661	2,580	2,500
- Adult Social Care Support Grant	1,127	0	0	0
- Housing Benefit Administration Grant	891	392	98	0
- Council Tax Administration Grant	403	363	327	294
- New Homes Bonus	2,641	1,672	1,183	668
- New Homes Bonus Returned Funding	143	0	0	0
- SEND Grant	203	0	0	0
- Implementation of Universal Credit	283	283	283	283
- New Burdens - Department for Work and Pensions	10	10	10	10
- Lead Local Flood Authority	10	11	12	0
Total Government Grant Funding	69,967	63,147	58,737	52,820
Locally Generated Income				
- Retained Business Rates	50,646	52,171	53,878	55,294
- Council Tax Income	79,358	81,570	83,873	86,268
- Adult Social Care Precept 2016/17	1,529	1,540	1,551	1,561
- Adult Social Care Precept 2017/18	1,586	1,597	1,609	1,620
- Adult Social Care Precept 2018/19	0	1,661	1,673	1,684
- Adult Social Care Precept 2019/20	0	0	1,738	1,752
- Adult Social Care Precept 2020/21	0	0	0	1,822
- Parish Precepts	257	257	257	257
- Collection Fund Surplus	0	0	0	0
Total Locally Generated Income	133,376	138,796	144,579	150,258
Revised Budget Funding	203,343	201,943	203,316	203,078
Budget Gap	9,460	24,330	31,539	40,715
Approved Use of Reserves 2016/17	(250)	(250)	(250)	0
Approved Use of Reserves 2017/18	(373)	0	0	0
Net Gap/Budget Reduction Requirement	8,837	24,080	31,289	40,715