

## **Council**

# **Budget Report 2015/16**

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for Finance and HR**

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### **Purpose of Report**

To present to Council the Administration's budget report and budget proposals for 2015/16 having regard to the impact of the Final Local Government Finance Settlement and other financial issues. The report also sets out the current position in relation to the budget for 2016/17 and beyond.

### **Executive Summary**

This report presents the current position with regard to the Administration's budget for 2015/16 and indicative budget for 2016/17. This builds upon the work that has been undertaken in previous financial years to address budget challenges and to ensure delivery of financial stability and investment opportunities via implementing a long term transformation programme based on sound financial management arrangements for Oldham Council.

Budget setting for 2015/16 and 2016/17 operates in the context of on-going economic, demographic and policy challenges at both a local and a national level. At a local level, budget proposals are framed by the Council's ambitions for a cooperative future. At a national level, the Government is still striving to reduce the national deficit and part of its strategy is to reduce public sector funding, particularly that for Local Government. In addition, the General Election due to take place in May 2015 adds to the air of uncertainty about Government grant funding to support the Council's expenditure plans.

Building on the focus of previous year's budgets, a thematic approach has again been taken to identify savings proposals. The framework for this approach has been based on four thematic areas. These are:

- Improved economy by stimulating growth and increasing productivity
- Independent self-reliant and resilient communities
- People safe, active and healthy in their homes and communities

- Effective democratic accountability supported by strong corporate governance

Theme groups were established and significant work has taken place to identify budget proposals. Every effort has been taken to minimise, as far as possible, impact on the most vulnerable citizens and front-line services. The budget proposals include transformation of services, strengthening the Council's fiscal base, managing demand, generating income and removing non-essential spending. The increased use of technology and more effective work practices contribute to a number of budget proposals as do approaches to delivering services differently, including more provision by local providers or communities themselves.

Savings proposals sufficient to address the calculated budget gap for 2015/16 of £35.229m (subject to any changes arising from the receipt of the Local Government Finance Settlement and confirmation of other key financial information) were identified during 2014/15. The Overview and Scrutiny Performance and Value for Money (PVFM) Select Committee scrutinised these proposals at its meeting on 13<sup>th</sup> November 2014 and followed up with additional scrutiny on two proposals on 11<sup>th</sup> December 2014.

The meetings of Cabinet on 8<sup>th</sup> December and Council on 17<sup>th</sup> December 2014 considered and approved budget proposals for 2015/16 totalling £27.471m, and noted 3 savings totalling £7.758m for which consultation was still in progress. These 3 savings proposals together with a new savings proposal (D064C), detailed below, were included in an updated budget report presented to the PVFM Select Committee on 22<sup>nd</sup> January 2015. They have therefore been subject to detailed scrutiny.

The Provisional Local Government Finance Settlement was announced on the 18<sup>th</sup> December. Taking into account the information in the Settlement, other grant announcements and in some instances applying local assessments of grant income, a favourable position of £1.020m was calculated. When adding revised estimates of Council Tax income and the Collection Fund surplus, additional resources of a total of £3.040m were identified.

The Final Local Government Settlement was announced on 3<sup>rd</sup> February 2015, this confirmed many of the Grant Funding allocations announced in December. However, Revenue Support Grant (RSG) increased by £478k with minor grant reductions of £3k. Overall, additional grant of £475k was received making a total of £3.515m of additional resources available for allocation.

The availability of additional resources has allowed the further consideration of the budget position and Budget proposal D040 Review of District Arrangements has been reduced by £120k. A new savings option (D064C- Use of additional resources to support the budget process) has been prepared to compensate for this revision. Some of the Government funding has been allocated to compensate the Council for new duties and responsibilities and therefore £1.248m of this extra funding is to be locally ringfenced to address the new spending pressures. In addition, a review of other budget pressures has been undertaken which has identified further costs of £2.147m for which resources have been allocated. Now that all information on which the budget setting process is reliant has been received, the revised net revenue budget for 2015/16 has therefore increased to £195.800m. There are sufficient resources to address all identified pressures without increasing the the 2015/16 savings requirement enabling the budget to be balanced.

The Council Tax policy for 2015/16 is to accept the Council Tax Freeze grant and therefore leave Council Tax unchanged. The major preceptors and Saddleworth Parish Council have also confirmed that they are to freeze Council Tax for 2015/16. Shaw and

Crompton Parish Council has increased its Parish Precept by £0.29 to £15.11 (1.96%). The budget presented reflects this position.

Given the two year budget process, the opportunity has been taken to review the budget gap for 2016/17. This has to some degree been hindered by the Final Settlement giving financial information for one year only. There are significant uncertainties about future Government funding allocations particularly because of the General Election in May 2015 and there are also increasing demands on Council services. The budget gap for 2016/17 has been assessed at £29.489m an increase of £4.393m. The budget process has so far identified savings of £9.398m for 2016/17, leaving an increased balance of £20.091m to address. Targets will therefore be allocated to officer groups based around commissioning clusters to work on additional budget proposals. These cluster groups will allow the budget process to align with corporate planning arrangements.

This report also includes the fees and charges schedule for 2015/16 which requires approval so the new charges can be applied from 1<sup>st</sup> April 2015.

It is a requirement of Section 38 of the Localism Act and the new Local Government Transparency Code that the Council reviews and prepares a Pay Policy Statement for each financial year and that it is approved by full Council. The purpose of this is to provide transparency of our approach to setting pay for our employees with particular emphasis on the level of remuneration for our most senior staff. The Councils reviewed Pay Policy Statement is included at Appendix I (including Annex 2 – supplementary information).

## **Recommendations**

It is recommended that Council approves the-

- 1 Net revenue budget for 2015/16 for the Council set at £195.800m
- 2 Acceptance of the Council Tax Freeze Grant.
- 3 Savings proposals to balance the 2015/16 budget of £7.758m as set out in Appendix D in summary and Appendix E in detail.
- 4 The Council Tax for 2015/16 as set out in Appendix H
- 5 The total draw on the Collection Fund of £85.595m for Borough Wide services with £74.384m for Council services.
- 6 Fees & Charges schedule as set out at Appendix F.
- 7 Increase in the required savings for 2016/17 by £4.393m to £29.489m.
- 8 Councils Pay Policy Statement as set out in Appendix I

That Council confirms the;

1. Approval of £27.471m of savings as set out in Appendices B and C.

That Council Notes;

- 1 There is no requirement to hold a referendum on the change in the Relevant Basic Amount of Council Tax.
- 2 The savings target for 2016/17 may need to change as a result of developments during 2015/16.

## Budget Report 2015/16

### 1 Background

- 1.1 Members will be aware that the Council's approach to budget setting has been to consider the financial challenge it is facing over a two year timeframe. In this regard, the financial strategy that has been agreed is to prepare a budget that addresses the estimated gap for the two year period 2015/16 and 2016/17. As would be expected at this stage, the emphasis of the budget process has been to prepare budget proposals to address the savings target for 2015/16 in full detail. Given that there is a longer timeframe to prepare for 2016/17, the continued uncertainties about the level of Central Government resources that will be available and that there will be a General Election in May 2015, progress has been made to identify savings but work is not so advanced.
- 1.2 The report presents the updated budget for 2015/16 and 2016/17 including the Administration's proposed savings for 2015/16 (of which £27.471m have already been agreed). It also sets out the progress so far in bridging the calculated budget gap for 2016/17. These proposals build upon the work that has been undertaken in previous financial years to address budget challenges. The budget process ensures that there will be a firm financial base which will enable service transformation to be delivered, providing savings through improved processes and a long term efficiency programme. It will also provide the framework for developing new relationships with citizens and partners supporting the agenda of a Cooperative Council.
- 1.3 This budget is set within the context of significant on-going economic and policy challenges and changes at a national level. At a local level, the proposals are framed by the Council's ambition for a cooperative future where everyone does their bit to create a confident and ambitious borough. There are three objectives that focus the activity of the Council in delivering against this ambition. These are:
- **A productive place** to invest where business and enterprise thrive;
  - **Confident communities** where everyone does their bit; and
  - **Co-operative Council** creating responsive and high quality services.
- 1.4 These objectives reflect the on-going commitment for the Council and its partners to work with the residents of Oldham to bring about positive change and provide strong leadership for the borough. As in previous years a thematic approach has been taken to identify savings and this has been applied around four main areas. These are:
- Improved economy by stimulating growth and increasing productivity
  - Independent, self-reliant and resilient communities
  - People safe, active and healthy in their homes and communities
  - Effective democratic accountability supported by strong corporate governance
- 1.5 Theme groups were established to identify budget proposals. Every effort was made to minimise, as far as possible, impact on the most vulnerable citizens and front-line services. The budget proposals include transformation of

services, strengthening the Council's fiscal base, managing demand, generating income and removing non-essential spending. The increased use of technology and more effective work practices contribute to a number of budget proposals as do approaches to delivering services differently, including more provision by local providers or communities themselves.

- 1.6 Oldham is well positioned to be able to adapt and adjust to meet some of the challenges. Since 2008, the Council has been on a journey of recovery and improvement that has led to a number of positive outcomes and achievements. The improvement journey has also provided a firm base from which to move forward. This means developing different ways of working and preparing for how the Council will deliver services in future, for example, moving from being a provider of services to a commissioner of services.
- 1.7 An additional element to this work is a Co-operative Council and this forms part of Oldham's ambition for a Co-operative Future. Co-operation means everyone working together to make a positive difference – one that makes sense locally.
- 1.8 Members will recall that at the meeting of Council on 17th December 2014, a detailed report was presented which set out how the Council had approached its headline £60m budget challenge to find savings to prepare a balanced budget for 2015/16 and 2016/17. The savings targets were £35.229m for 2015/16 and £25.096m for 2016/17. The report also advised how the targets had been calculated but that this might be subject to change on receipt of additional information, including the Provisional and Final Local Government Finance Settlements, and the review of budget pressures.
- 1.9 The meeting of 17<sup>th</sup> December 2014 received options totalling £35.229m for 2015/16 (which were sufficient if all were approved) to balance the budget for 2015/16. These proposals had been subject to detailed scrutiny by the Overview and Scrutiny Performance and Value for Money Select Committee (PVFM) during November and December.
- 1.10 At the Council meeting of 17<sup>th</sup> December 2014 proposals totalling £27.471m were approved with three proposals totalling £7.758m for 2015/16 being noted as the public consultation exercises were still live.
- 1.11 Two of the three deferred proposals (C045 Children's Services Redesign £1.261m and C046 Adult Social Services Redesign £6.197m) are included within Appendix D in summary and Appendix E in detail to this report. The third proposal reference D040 Review of District Arrangements has been reduced by £120k to a value of £180k and a further option for £120k -D064C – Use of additional resources to support the budget process, has been put forward to finance the shortfall. These four proposals and the revised budget position were subject to further scrutiny on 22nd January 2015 by the PVFM Select Committee. The Select Committee noted the contents of the report.
- 1.12 The Cabinet at its meeting of 16<sup>th</sup> February 2015 considered the updated budget position and the comments of the PVFM Select Committee. Cabinet approved the updated budget position and four remaining savings proposals.
- 1.13 If Council is content with these four proposals, now that the consultation processes have been concluded, they require approval in order that the savings requirement of £35.229m can be met. The updated pro formas and Equality Impact Assessment documents have regard to any consultation comments. Also

included are proformas for D040 (revised to allow for the change) and new proposal D064C.

- 1.14 On the 18th December 2014 the Government announced the Provisional Local Government Finance Settlement for 2015/16. The Final Settlement was received on 3 February 2015. The GMCA levy and AGMA contribution, GMWDA and Environment Agency levies have now been agreed and precepting figures received. The figures within this report reflect the updated information arising from the contents of the Final Settlement and levying and precepting bodies. As a consequence the budget proposals contained within the report will result in a balanced budget for 2015/16. As highlighted later in the report, in the light of updated information, the savings target for 2016/17 has now increased to £29.489m.
- 1.15 To support the Council in realising its ambitions, the budget proposals continue to make the most of the opportunities for developing new ways of working and delivering local solutions to local issues. Building on the improvements made by the Council over recent years and now operating as a Co-operative Council, enables the Council to consider and meet the significant financial challenges it faces in a way that seeks to continue delivery of the right services, at the right time, to the right people. This is a very different approach to a traditional budget setting process.

## 2.0 **Current Position Nationally**

- 2.1 Following the banking crisis of 2008, the country faced a severe economic challenge. The economy slipped into recession, unemployment increased and this led to a need for long term restructuring of the economic base of the UK. More recently, the country moved out of recession in quarter three of 2012 and economic growth increased but significant financial challenges still remain.
- 2.2 When the Government came into power in 2010 it anticipated that it would have reduced the actual deficit to £37 billion by the end of the financial year 2014/15. In successive financial assessments this figure has been revised and is currently estimated to have increased to £91 billion.
- 2.3 A key strand of the Governments strategy to reduce the national deficit has been to reduce public sector expenditure (particularly in the financing of Local Government). The impact of this was felt within weeks of the Coalition Government assuming power in May 2010 with significant in year grant reductions in 2010/11 and reduced funding via the Local Government Finance settlement thereafter.
- 2.4 The latest projections are that funding reductions which will impact on the Council could continue for another 5 years which will mirror the lifetime of the next Parliament. The impact of these spending reductions will mean a further loss of Government grant funding. To illustrate this, Revenue Support Grant received by the Council in 2013/14 was £85m and it fell to £69.5m for 2014/15. The Final Settlement notified that it would be £51m for 2015/16 and is expected to have fallen further to £33m by 2016/17. The Autumn Statement of 3rd December 2014 did not contain any information that would encourage a more optimistic outlook.

2.5 The Government continues to deliver the National Coalition Agreement set out in May 2010. This has resulted in major changes to the role of, and arrangements for, Local Authorities. The Council has responded as a Co-operative Council putting residents at the centre of decisions and proposals. Key changes in the national policy landscape are outlined below and include:

- **Public Service Reform**

Greater Manchester was one of four areas nationally to pilot Community Budgets. The pilot focused on developing new investment and delivery models across public services in order to promote growth and productivity whilst reducing dependency driven demand. Within Oldham an All Age Early Help Model has been developed which focusses on prevention and signposting in order to avoid higher cost, more intensive treatment based services further down the line.

- **Changes to role and duties of local government**

These changes have included responsibility for Public Health transferring back to Local Authorities as well as delegation of a range of functions including administration of the Council Tax Reduction Scheme and parts of the Social Fund. Further services and functions will transfer from April 2015.

The Localism Act 2011 contained a range of opportunities for communities including the Community Right to both buy and take over community assets, as well as challenge how the Council runs certain services. The Act also gives communities the right to veto “excessive” council tax rises, in line with the annually set Government criteria for excessiveness.

De-centralisation is a key feature of the Government’s open public services policy. It aims to free up public bodies to deliver services differently and innovatively to balance the pressures of demand and reducing budgets. This provides the freedom to pursue an innovative public service reform agenda and is completely consistent with the Council’s transformation agenda.

- **Local Government Finance**

The Local Government Finance Act 2012 included a range of changes that fundamentally altered the way Local Authorities are financed. The Act permits Local Authorities to retain a proportion of locally generated business rates, thus aiming to connect Council financing to the local economic position. The Act provided the framework for the localisation of support for Council Tax in England. There is a requirement to consider the Council Tax localisation scheme on an annual basis with 2015/16 being the third year of operation. A report to Council on 17 December 2014 enabled the approval of the amended scheme for 2015/16. In addition, the Act introduced changes to Council Tax rules in relation to charges on empty properties and the Council has utilised these new powers to support its localised Council Tax Reduction scheme.

- **Welfare Reform**

The Welfare Reform Act 2012 introduced fundamental changes to the social security benefit system. Universal Credit (UC) is becoming the main means-tested social security benefit for people of working age, replacing Housing Benefit, Income Support, Income-Related Employment and Support Allowance



(ESA), Income-based Jobseeker's Allowance (JSA), Working Tax Credit and Child Tax Credit. UC is being phased in across the country between 2013 and 2017. However, the Council has acted as a pilot Authority for the new regime and as such is one of the first Local Authorities to phase in UC.

- **Changes to Health and Social Care**

There have been a number of significant changes to health and social care in England as follows:

- **Care Act 2014**

The Act introduces a range of new duties on the Council from April 2015. The Act also pulls together threads from a number of different Acts into a single framework, taking forward most of the recommendations made by the Law Commission's review of existing care and support legislation. Part 1 of the Act aims to consolidate existing care and support legislation. It aims to refocus the law around the person not the service; strengthen rights for carers to access support, and; introduce a new adult safeguarding framework. A second phase of implementation is anticipated in April 2016. This will introduce the funding reforms recommended by the Dilnot Commission on the Funding of Care and Support. This includes raising the means testing threshold for self funders and a cap on the costs that people will have to pay for care in their lifetime.

- **Better Care Fund**

The Better Care Fund (BCF) was introduced in 2013 and provides an opportunity to transform local services to provide better integrated care and support. Clinical Commissioning Groups (CCG's) 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. The financial year 2015/16 introduces some significant developments in the use of the BCF. The Autumn Statement 2014 and Local Government Provisional Settlement 2014 in December committed the Government to continuing pooled funding with an announcement that £3.8 billion would be deployed in 2015/16. Information received confirmed that bringing together local government and NHS resources that are already committed to existing activity are at these levels and the Oldham share has been confirmed at £16.036m. We expect this to include issues such as personalisation, the provision of support carers, information advice and support, independent mental health advocacy will be allocated to the Oldham CCG as part of the pooling arrangements and passported to the Council as per the BCF agreements.

### **3 Oldham Borough Position**

3.1 As elsewhere in the country, the global recession directly affected our residents, and whilst the impact on Oldham was more pronounced than in some other areas there is evidence that Oldham's economy is recovering. For example, previously, Oldham had the highest unemployment rate within Greater Manchester and was significantly higher than both the regional and national averages. However, since February 2013, the unemployment rate in Oldham has started to fall at a significant rate.

- 3.2 The **unemployment rate** in Oldham as at November 2014 stands at **3.1%** (down from 11.6% in February 2013). Whilst much improved, it is the highest rate within Greater Manchester, marginally above Bolton and Manchester (3.0%). This currently breaks down as **1,740** unemployed on Universal Credit, **2,628** unemployed on JSA, with a further **900** persons claiming Universal Credit who are employed. Levels of unemployment fell in Oldham (November 2014) (**-3.7%**); however, again this decrease is below the Greater Manchester (**-4.8%**) and England (**-4.4%**) averages.
- 3.3 Although the figures are distorted through the introduction of Universal Credit (movement off JSA onto UC), over the last 12 months unemployment in Oldham has fallen due to; more local job opportunities, the impact of the Get Oldham Working campaign and the potential impact of tougher sanctions imposed on claimants.
- 3.4 It is, however, clear that the impact of welfare reform in Oldham is significant. Research by Sheffield Hallam University in April 2013 showed Oldham ranked **26<sup>th</sup> worst affected out of the 379** local authorities in Great Britain with the **overall annual impact of welfare reform changes being estimated at £90.1m**, once the changes are fully implemented. This equated to a loss of £637 a year per working-age adult.<sup>1</sup>
- 3.5 Oldham, as Pathfinder for Universal Credit, worked together with partners to try and mitigate the effects of welfare reform on residents. Nearly two year on and the proportion of residents in receipt of out-of-work benefits is reducing. As stated above, this is likely to be a result of more local job opportunities and the impact of tougher benefit sanctions. Numbers affected by 'size criteria' (the bedroom tax) and rent arrears are reducing, but there is evidence of voids for larger homes as tenants are downsizing as a result of the 'size criteria' policy.
- 3.6 The numbers receiving benefit sanctions in Oldham is high compared to elsewhere in GM and work is underway to investigate why this is and what can be done to help.
- 3.7 The information from the 2011 Census shows that Oldham's population is growing at a greater pace than previously predicted. There is a particularly large increase in the number of young people (0-15 years old), putting pressure on school places and capacity with the resulting implications for future service delivery. In line with the national position, Oldham also has an ageing population and also many of our most vulnerable adults and young people have increasingly complex needs. The expectations of citizens are also changing, based on technological developments and greater emphasis in recent years on individual choice.
- 3.8 There is also a greater requirement across the borough to take account of wider environmental considerations, with increasing energy costs and the introduction of the carbon reduction tax places increased emphasis on the need to reduce the carbon footprint of the borough.
- 3.9 Despite the funding reductions, Oldham continues to face increased demand for many services. These include social care, housing, school admissions, advice about debt, as well as increased take up of free services such as school meals. Such pressures will therefore require extremely careful management

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<sup>1</sup> Centre for Regional Economic and Social Research, Sheffield Hallam University – April 2013

and are a major driver in the work to develop new delivery models and investment agreements in line with the work in Greater Manchester on public service reform. As stated, this work is focused on increasing productivity and reducing dependency driven demand. The first Investment Agreement signed in Oldham relates to work to tackle fuel poverty in the borough.

- 3.10 The commitment to co-operation and different ways of working also means increased working with partner organisations within Oldham. The Oldham Leadership Board is supported by three commissioning clusters: Economy and Skills, Co-operatives and Neighbourhoods; Health and Wellbeing. The clusters are responsible for setting priorities for place and planning activity to tackle the borough's challenges. Additionally, the clusters will be working together to achieve the vision of a co-operative borough.

#### **4 Oldham Council Position**

- 4.1 Oldham is well positioned to adapt and adjust to meet some of the new challenges. Since 2008, the strength of the Council has been externally validated with the Council winning the LGC's Most Improved Council award in March 2012 and receiving a highly commended in the LGC Council of the Year in 2014.

- 4.2 The Council underwent a Peer Challenge in October 2013. All Corporate Peer Challenges explore a number of guiding questions covering areas such as political and managerial leadership; financial planning and governance and decision-making arrangements. In order to tailor the peer challenge to local circumstances, Oldham requested that the Peer Challenge Team consider the Cooperative ambition of the Council and explore a number of additional questions. The Peer Challenge Team concluded that there has been: "A remarkable transformation in Oldham, both as a place and a council, in recent years and the authority can be proud of what has been achieved".

- 4.3 The Council's key achievements over the past twelve months include:

- Finding savings of £23.004m to balance the budget in 2014/15
- Being the first Local Government Body in the country to publish its 2013/14 accounts demonstrating improved financial management
- Opening the Metrolink line through the Town Centre and investment in new public realm improvements
- Oldham's primary schools achieving excellent SATs results which show them surging ahead of national averages in the basics of English and maths.
- Oldham winning a Gold Award in the 'Best City Category' of Britain in Bloom in October
- Launch of the Princes Gate development which seeks to capitalise on the arrival of Metrolink and regenerate this gateway site establishing a quality town centre living offer redeveloping redundant land and attracting new retailers including Marks & Spencers.
- The Get Oldham Working team announcing in August that 1,200 job-

related opportunities had been created, more than the target of 1,000. The aim is to create 2,015 job-related opportunities by 2015 and the Council is on track to achieve this target by the end of this financial year (March 2015).

- The official launch in June of the Fair Employment Charter which encourages employers across Oldham to provide fair, ethical and sustainable job opportunities for their employees.
- The launch of our Co-operative Housing offer in April which sets out 6 priorities for housing in the borough.
- The building of nearly 500 new homes during the year providing quality accommodation for existing residents and those relocating to Oldham.
- Oldham Council being awarded a prestigious 'Gold Food for Life Catering Mark' thanks to the high quality meals being served in schools across the borough.
- The launch in summer 2014 of a new partnership with Etsy, the online market place for handmade and vintage goods. The Craft Entrepreneurship Programme provided residents with free micro business training over a six week period, supporting potential crafts entrepreneurs to secure self-employment.
- Construction work beginning on the new £15 million leisure facility for Oldham Town centre.
- Investing £1 million to help independent businesses revitalise the Yorkshire Street area of Oldham's town centre – the Independent Quarter. In addition £100,000 is being invested in both Shaw and Lees High Streets to strengthen the local economy.
- Launching a new employment scheme - Warehouse to Wheels supporting those in warehouse work to get higher paid jobs as Large Goods Vehicle drivers.

4.4 In this challenging operating environment it continues to be essential for the Council to focus on clear priority areas. It is also important that these priority areas are about much more than managing the declining resource base. They are about continuing to invest with confidence in those areas which we know are important for the Borough and its residents and ensure the Council continues to be fit for purpose.

4.5 On 3 November 2014 Greater Manchester agreed a devolution settlement with Government. The agreement reached with the Chancellor who has called for a 'Northern Powerhouse' to maximise the economic potential of the north – and building on work of the Greater Manchester Combined Authority (GMCA) established in 2011. This will give greater powers to the Combined Authority working in partnership with a directly-elected Mayor. It aims to open up new opportunities for increasing economic growth and improving the quality of life of Greater Manchester residents. At this time the precise impact on Oldham has to be determined as development work is still in train, but the Council will be seeking maximum benefit from its operation.

## **5 The Council's Ambition and Priorities**

- 5.1 The Council's ambition is to establish a co-operative future for Oldham, one where citizens, partners and staff work together to improve the borough. The Council wants all members of the community to play an active part in building a co-operative borough. The Council's corporate objectives explicitly articulate this ambition, as being to ensure a productive borough with confident communities supported by a Council that work cooperatively to drive change and add value.
- 5.2 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 we do business. The Council believes in the importance of fairness and responsibility. In practice, that means maximising the positive social, economic and environmental impact that we can achieve through everything we do. From our procurement practices to our pay policy, the Council is using its influence as a commissioner, service-provider and employer to deliver that added social value.
- 5.3 Working with communities at a neighbourhood level, we are enabling 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.
- 5.4 In delivering the Council's ambitions and priorities it is essential that a strong identity for Oldham is established, supported by a strong identity for Districts and neighbourhoods. This includes developing the role and strengths of neighbourhoods and districts and developing their identity and role within the overall borough. It also includes a strong role for Oldham within the Greater Manchester sub-region.
- 5.5 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.
- 5.6 The Council values the dignity of work and is striving to improve the productivity of our communities. Our ambition to create 2,015 job opportunities by 2015 continues and significant reductions in our unemployment rates show that this hard work is paying off. Worklessness, in particular the number of young people who are not in education, employment or training is a serious concern. It drives social exclusion as well as having a negative impact on the productivity of the borough and its communities. Regenerating our borough remains a key priority and is central to our future prosperity.
- 5.7 The Council has developed an exciting portfolio of opportunities demonstrating that Oldham is open for business by using resources to attract and secure significant additional investment. Progress on our regeneration programme continues with, amongst other initiatives, work beginning on turning the Old Town Hall into an 800-seater ODEON cinema and the building of the Town Centre's new £15m flagship leisure centre. There is an ambition to further

extend the regeneration of the town centre and in particular a vision for its Eastern Gateway based around a residential neighbourhood of 800 homes, together with a major new retail development to bolster Oldham's retail offer.

- 5.8 Transformational approaches to delivery of services that work in partnership with citizens are essential. The Council must significantly reconfigure its business and organisational arrangements over the next few years in order to continue to provide value for public money services. The financial challenges faced mean the Council's response must be more ambitious than simply applying percentage reductions across services.
- 5.9 As a Cooperative Council, services are being re-designed and innovative commissioning models developed to ensure that all our services, whether delivered in-house or with partners, provide excellent and improving value for public money, achieving the maximum impact for Oldham and its people for every £ spent. The Council will be organised in a way that enables it to meet the challenges from Central Government whilst also delivering the Administration's priorities.
- 5.10 The need to reduce cost and make savings will be a key driver for the foreseeable future. Therefore, financial prudence is essential. Significant budget savings have been delivered, a total of £141m has been removed from the budget over the period 2009/10 to 2014/15. A robust approach to managing the budget means we are one of a limited number of Authorities in the country who have identified budget options for 2015/16 before the end of the calendar year 2014. However, the challenge going forward cannot be underestimated. The current savings target for 2015/16 and amended target for 2016/17 will bring total budget reductions over the period 2009/10 to 2016/17 to £205.5m. As highlighted earlier, savings targets for future years will continue to be high and savings opportunities more difficult to identify.

## **6 The Approved 2014/15 Budget**

- 6.1 In considering the budget for future financial years, it is first necessary to review the budget for 2014/15. Members will recall that the report approved at the 5th March 2014 Council meeting agreed a budget of £215.532m. Since the 2014/15 budget report was presented to Council, there have been a number of further funding allocations and amendments which have been presented to Cabinet in Revenue Monitoring Reports (the month 8 report was approved at the Cabinet meeting of 16<sup>th</sup> February 2015). These changes are detailed in the table 1 below. A further amendment is required with regard to use of reserves. It should be noted that these are all one off funding adjustments for the purpose of setting the base budget for 2015/16 and do not therefore impact upon the budget gap of £35.229m previously reported and considered.
- 6.2 Table 1 outlines that the 2014/15 budget has increased as a result of £3.978m additional one off grant funding, a reduction of Central Education Support Grant of £289k and the inclusion of a technical accounting adjustment for capital grants of £2.535m bringing it to a total of £221.756m. Allowing for grant these adjustments and a further adjustment for use of reserves of £672k brings the revised net revenue base budget for 2015/16 to £222.428m.

2014/15 Revised Budget Position	£m	£m
Net Revenue Budget as at 5th March Report		215.532
<b>One off Adjustments - Grant Income</b>		
- Care Bill Implementation New Burdens Grant	0.125	
- SEN Adoption and Reform Grant	0.600	
- Multiplier Cap	0.613	
- Empty Property Relief	0.002	
- Long Term Empty Property Relief	0.020	
- Retail Relief	0.509	
- Small Business Rate Relief	1.328	
- Severe Weather Fund	0.513	
- Staying Put Grant	0.020	
- SEND Improvement	0.240	
- Single Fraud Investigation Grant	0.008	
	3.978	
<b>Amendments to existing allocations 2014/15</b>		
- Central Education Support Grant Reduction	(0.289)	
<b>Technical Accounting Adjustment 2014/15 only</b>		
- Capital Grants	2.535	
		6.224
<b>Use of Reserves</b>		0.672
<b>Total Revised Net Revenue Budget</b>		222.428

## 7 Updated 2015/16 Financial position

7.1 The reports to PVFM, Cabinet and Council in November and December 2014 advised of an approach to determine savings proposals which followed a tried and tested methodology. All reports advised that there were sufficient proposals to balance the 2015/16 budget if all were approved and that work was continuing to find savings for 2016/17 and £9.398m had already been proposed. However, given that there is 13 months to go before the start of 2016/17, this must be considered as excellent progress and provides a firm base from which to continue the budget review exercise.

7.2 The table below sets out the revised budget position for 2015/16 and 2016/17 reported in December having taken account of known and anticipated changes in funding prior to the receipt of the Provisional and Final Government Finance Settlement. It also shows the impact of all the budget proposals should they all be approved. This therefore shows a balanced position for 2015/16 and that detailed savings of £15.698m were yet to be finalised for 2016/17. Clearly, given the information presented later in this report, this position has now moved on so the remaining 2016/17 target is now £20.091m.

## Budget Position Presented to the December Council Meeting

	2015/16 £m	2016/17 £m
<b>Prior Year Net Revenue Budget</b>	<b>220.112</b>	<b>192.277</b>
One off adjustments	(4.580)	-
<b>Base Budget</b>	<b>215.532</b>	<b>192.277</b>
<u>Expenditure Pressures</u>		
- Pensions	0.265	0.263
- Pay Award	0.899	0.908
- Inflation	2.847	2.914
- Investment Fund	4.953	1.055
- Demand Pressures	1.345	-
- Business Plan Pressures	0.000	1.500
- Reduction for Local Welfare Provision Grant Loss	(1.022)	-
<u>Savings Proposals</u>		
- Savings through Transformation Proposals	(32.542)	(7.798)
<b>Total Expenditure</b>	<b>192.277</b>	<b>191.119</b>
<u>Funded by:</u>		
- Business Rates Top Up	(30.237)	(30.842)
- Revenue Support Grant	(49.227)	(32.037)
- Housing Benefit and Council Tax Administration	(1.668)	(1.503)
- Council Tax Freeze Grant	(1.748)	(2.622)
- Central Education Support Grant	(3.021)	(2.222)
- New Homes Bonus	(2.160)	(1.444)
- Lead Local Flood Authorities	(0.026)	(0.023)
- Settlement Funding Adjustment	(0.613)	-
- Local Reform and Community Voices	(0.203)	-
- Business Rate Reliefs	-	(0.531)
<b>Total Government Grant Funding</b>	<b>(88.903)</b>	<b>(71.224)</b>
- Retained Business Rates	(28.210)	(29.620)
- Council Tax Income	(72.477)	(72.977)
<u>Savings Proposals:</u>		
- Income through Transformation Proposals	(2.687)	(1.600)
<b>Revised Budget Funding</b>	<b>(192.277)</b>	<b>(175.421)</b>
<b>Net Gap/Savings Requirement (when all proposals are approved)</b>	<b>0.000</b>	<b>15.698</b>



- 7.3 In the table above, the proposals to address the funding gap have been split between those which reduce the net revenue expenditure of the Council and those which increase the funding available. For clarity, the following table summarises the position.

#### **Addressing the Budget Gap**

	<b>2015/16 £m</b>	<b>2016/17 £m</b>
Funding Gap	35.229	25.096
Savings through Transformation Proposals	(32.542)	(7.798)
Income through Transformation Proposals	(2.687)	(1.600)
<b>Total</b>	<b>0</b>	<b>15.698</b>

- 7.4 Budget proposals sufficient to balance the 2015/16 budget were presented to Council on 17<sup>th</sup> December 2014. As three budget proposals totalling £7.758m for 2015/16, C045 (Children's Services Redesign £1.261m), C046 (Adult Social Services Redesign £6.197m) and D040 (Review District Arrangements £300k) had not completed their public consultation exercises, it was not possible to recommend these for approval, however, the balance £27.471m were approved. These proposals are presented in summary at Appendix B and the detail proformas are presented at Appendix C. This allows Council the opportunity to review/reconsider any proposals or confirm approval.
- 7.5 The remaining proposals sufficient to balance the budget gap require further consideration now that the consultation processes have completed. However, now that the Final Local Government Finance Settlement and other key financial information is available, a review of proposal D040 has been carried out and the proposal has been reduced to £180k, the balance of £120k being the subject of a further savings proposal D064C - Additional Resources to Support the Budget Process. These proposals which require review and final approval are presented at Appendix D in summary and E in detail.
- 7.6 The implications of the Provisional and Final Local Government Finance Settlements and other budget developments have impacted on the overall financial position of the Council. The wider implications of these issues need to be considered before the budget position can be finalised. This new information is set out in Section 8,9,and 10 of the report.

## **8 Local Government Finance Settlement (LGFS) Provisional Settlement**

- 8.1 The 2015/16 Provisional Local Government Finance Settlement was released on 18<sup>th</sup> December 2014. It was issued by Local Government Minister Kris Hopkins MP, setting out the Government's formal proposals for funding English Local Authorities for 2015/16. The 2015/16 Provisional Settlement advised that the Government intended this to be is a one year settlement and there have been no indicative figures issued for 2016/17.
- 8.2 For 2015/16, provisional allocations were provided which were compared to the indicative information that was first issued as part of the Provisional Local Government Settlement in 2014/15 released in December 2013 and upon which budget estimates have been based.

- 8.3 Authorities had the opportunity to submit consultation comments on the Provisional Settlement. The Government issued some specific consultation questions to which a response was requested. The consultation period was open until 15<sup>th</sup> January 2015 and a response was submitted by the Council.
- 8.4 It was expected that funding information relating to the Independent Living Fund would be available alongside provisional settlement information. This is not yet available. In addition some other grants will only be confirmed later in the year.

### **Final Settlement**

- 8.5 The Final Local Government Finance Settlement was received on 3rd February 2015. The only major change was the allocation by Government of an additional £74m in recognition of Councils requests for support with regards to local welfare needs and to improve adult social care provision. This funding was distributed by means of an increase in Revenue Support Grant (RSG). The increase for Oldham was £478k. This could not have been anticipated. There were also some minor reductions to New Homes Bonus (NHB) and Local Council Tax Support and Housing Benefit Subsidy Grant resulting in a reduction to these grants of £3k. The net impact of the Final Settlement was an increase in grant to the Council of £475k.

### **Overall allocations**

- 8.6 Whilst the report to the PVFM Select Committee on 22<sup>nd</sup> January 2015 was based on the Provisional Local Government Finance Settlement figures, the figures included within the report reflect the Final Settlement.
- 8.7 The national Settlement Funding Assessment (SFA) figures used by Central Government show all the Government funding included in the Final Settlement for 2015/16 at £20,833m. This is a reduction from £24,112m in 2014/15, a change of £3,279m, 13.60% and highlights the extent of the funding being withdrawn from the SFA.

<b>National Breakdown of Settlement Funding Assessment</b>		
	<b>Adjusted 2014-15 Settlement Funding Assessment £m</b>	<b>2015-16 Final Settlement Funding Assessment £m</b>
Upper-Tier Funding	14,239.777	11,869.761
Lower-tier Funding	3,632.290	3,035.229
Fire & Rescue Funding	1,141.011	1,038.714
2011-12 Council Tax Freeze Compensation	590.698	588.448
Early Intervention Funding	1,576.402	1,435.900
GLA General Funding	42.012	40.554
GLA Transport Funding	773.225	788.000
London Bus Services Operators Grant	45.188	46.052
Homelessness Prevention Funding	78.803	78.500
Lead Local Flood Authority Funding	20.686	20.606
Learning Disability and Health Reform Funding	1,426.151	1,420.794
Rural Services Delivery Funding	11.500	15.500
2013-14 & 2014-15 Council Tax Freeze Compensation	319.179	319.179
Returned Holdback	31.110	0.000
2014-15 Efficiency Support Grant	9.386	9.386
Carbon Reduction Credits Energy Efficiency Scheme adjustment		-6.356
Local Welfare Provision	172.127	129.600
<b>Settlement Funding Assessment (England)</b>	<b>24,112.195</b>	<b>20,832.539</b>
<b>% change in reduction</b>		<b>-13.60%</b>

### **Revenue Spending Power**

8.8 The Minister announced that Local Authorities will face an overall reduction in spending power of 1.7% in the final settlement for 2015/16 and that no Local Authority would experience a decrease of more than 6.4%. To a degree this is a misleading comparator as spending power includes in some instances funding in accordance with a Government estimate rather than actual receipts, such as Business Rate income. It includes the Better Care Fund which is not under the direct control of the Council (this is part of Department of Health funding allocated to Clinical Commissioning Groups within the NHS). It also includes Council Tax (which is clearly not financed by the Government). However the Government is keen to quote this figure as an indicator of the funding reduction. The Oldham reduction in revenue spending power has been assessed as 4.34% with the 2015/16 position being £219.499m compared to £229.447m (the adjusted 2014/15 Spending Power Assessment). The elements of the Spending Power Assessment are set out in the table below.

Revenue Spending Power for Oldham	2015/16 £m
- Settlement Funding Assessment	109.685
- Assumed Council Tax	72.066
- Government Grants within the Settlement	5.999
- Settlement Funding Assessment Adjustment	0.858
- Public Health Grant	14.915
- Better Care Fund	16.036
- Adjustment for Council Tax Support for Parish Councils	-0.060
<b>Total Government Assessed Spending Power</b>	<b>219.499</b>

### Settlement Funding Assessment (SFA)

- 8.9 The SFA is a Government calculated figure. This incorporates Business Rates Top Up Grant and Revenue Support Grant which are cash payments to the Council, together with the Government assessed locally retained Business Rate figure. The SFA is used by Government in nationally reported funding information. The overall SFA variance for Oldham compared to the budget estimates reported to Council on the 17<sup>th</sup> December 2014 (expected position) shows a positive variance of £1.683m for 2015/16 as shown in the table below.

Changes to Funding – Final Local Government Finance Settlement (Government assessment)	Expected Position £m	Final Settlement £m	Difference £m
- Retained Business Rates	28.538	28.819	0.281
- Business Rates Top Up	30.237	29.987	-0.250
- Revenue Support Grant	49.227	50.879	1.652
<b>TOTAL SETTLEMENT FUNDING ASSESSMENT</b>	<b>108.002</b>	<b>109.685</b>	<b>1.683</b>

- 8.10 As the Retained Business Rate element of the SFA reflects the Governments' assessment of Business Rate income, the Council must decide whether this will be achieved in the light of local factors. The local assessment is set out below and shows that rather than £28.819m in retained business rate income as assessed by Government, a sum of £28.002m is anticipated (this is £536k lower than the previous local estimate). This is detailed in the report on the Council Tax and Business Rates Taxbase which was approved at Cabinet on 26<sup>th</sup> January 2015. It should be noted that £328k increase in Business Rates growth has already been approved as a budget option.
- 8.11 Taking all the elements of the SFA together, the overall change to the SFA figure is an increase in resource of £866k as shown in the table below rather than £1.683m

Changes to Funding – Final Local Government Finance Settlement (local assessment)	Expected Position £m	Final Settlement £m	Difference £m
- Retained Business Rates	28.538	28.002	-0.536
- Business Rates Top Up	30.237	29.987	-0.250
- Revenue Support Grant	49.227	50.879	1.652
<b>TOTAL SETTLEMENT FUNDING ASSESSMENT</b>	108.002	108.868	0.866

### Settlement Funding Assessment Adjustment (Adjustment to change in the Business Rate cap)

8.12 The Settlement figures, as notified in the Autumn Statement 2014, have been adjusted to allow for a cap on the increase in business rates to 2%. A separate national grant of £165.1m is to be paid in respect of lost income associated with the 2% cap. This is the second year of this grant and the Government estimate is that Oldham will receive £858k in 2015/16, although the local estimate is for a sum of £641k.

### Other Business Rate Grants

8.13 Although not included in the Provisional or Final Settlement, the Council will continue to receive other business rate grants as announced in the 2014 Autumn Statement. These other business rate grant adjustments have been estimated based on Government returns. Grant confirmations will be made prior to the start of the 2015/16 financial year (probably March 2015) and therefore are still subject to change. The inclusion of these estimates in financing is essential to ensure there is a rounded view of the financial position for 2015/16. The assumptions are included in the table below (together with the adjustment for the change to the business rate cap). This shows the Council will receive £147k more in business rate related grants than anticipated (£119k excluding the business rates cap grant).

Changes to Funding Following Autumn Statement /Final Settlement	Expected Position £m	Final Settlement £m	Difference £m
- Small Business Rate Relief	1.328	1.369	0.041
- Empty Property Relief	0.002	0.000	-0.002
- Long Term Empty Property Relief	0.020	0.020	0.000
- Retail Relief	0.509	0.589	0.080
- Adjustment for Change to Business Rates Cap	0.613	0.641	0.028
<b>TOTAL BUSINESS RATES GRANTS</b>	2.472	2.619	0.147

### Revenue Support Grant

8.14 The Revenue Support Grant (RSG) is the largest unringfenced grant the Council receives and it is used to underpin general Council services. The RSG included in the final settlement (shown above) is £1.652m higher than the estimates

included in the earlier reports. However the RSG allocation includes the rolled up element for 2014/15 Council Tax Freeze Grant at a sum of £866k and Local Welfare Provision at £770k. Whilst these allocations have been passported into RSG in full, the impact of other changes to the RSG allocation means that in overall terms the RSG is less generous than it might initially appear.

- 8.15 It should be noted that the indicative funding allocations for 2015/16 issued in December 2013, advised that Local Welfare Provision would cease and the rolling up into the RSG was introduced as a result of concerns expressed by the Local Government Sector. As highlighted earlier RSG was also further increased at the final settlement to include extra funding for local welfare provision and adult social care.

### Other Unringfenced Grants

- 8.16 The Council will receive other unringfenced general grants in 2015/16 and is able to use this Government funding as it sees fit. Some of these were notified within the Provisional and Final Settlements and are included in the Spending Power calculation; others were notified separately as shown below. In overall terms, the Council will receive £482k more funding from these grants than it anticipated. Each of these grants is explained below in paragraphs 8.17 to 8.26.

Changes to Funding Following the Final Local Government Finance Settlement	Expected Position £m	After Settlement £m	Difference £m
- Housing Benefit and Council Tax Administration	1.668	1.529	-0.139
- New Homes Bonus	2.160	2.086	-0.074
- New Homes Bonus - Return Grant Funding	0.000	0.189	0.189
- Lead Local Flood Authorities	0.026	0.026	0.000
- Council Tax Support New Burdens	0.000	0.066	0.066
- Department of Health Revenue Grant	0.203	0.151	-0.052
- Council Tax Freeze Grant	1.748	0.864	-0.884
- Adult Social Care New Burdens	0.000	1.088	1.088
<b>Grants within the Spending Power calculation</b>	<b>5.805</b>	<b>5.999</b>	<b>0.194</b>
- Central Education Support Grant	3.021	3.126	0.105
- Extended Rights to Free Travel	0.000	0.023	0.023
- Special Educational Needs	0.000	0.160	0.160
<b>Other Grants</b>	<b>3.021</b>	<b>3.309</b>	<b>0.288</b>
<b>TOTAL INCREASE IN GENERAL GOVERNMENT GRANTS</b>	<b>8.826</b>	<b>9.308</b>	<b>0.482</b>

### Housing Benefit and Council Tax Administration Grant

- 8.17 The Government has continued the payment of this unringfenced grant which compensates Local Authorities for the administration of the Housing Benefit and Council Tax system. The amount allocated at £1.529m is £0.139m lower than previously anticipated and a reduction of £0.325m from the previous years' allocations.

### **New Homes Bonus (NHB)**

8.18 New Homes Bonus consists of two elements, New Homes Bonus and New Homes Bonus Adjustment.

- The New Homes Bonus element has reduced from the previous estimate by £74k. Initial estimates were based upon figures provided by DCLG. The achievement of the NHB allocation for 2015/16 demonstrates the reduction in the number of empty homes and reflects the increased number of properties in the Oldham area.
- The Council will also receive an allocation of the excess funds initially withdrawn from RSG by Government to pay for NHB allocations. This results in a NHB adjustment allocation to Oldham of £189k which was previously not budgeted.

The net impact of this is an increase of £115k from previously anticipated NHB figures.

### **Local Lead Flood Authority**

8.19 This is an unringfenced grant that the Council uses to underpin the budget of the Council. A sum of £26k has been notified which is unchanged from that previously anticipated.

### **Council Tax Support New Burdens**

8.20 This unringfenced grant of £66k is intended to support the administrative change in Council Tax operation following the move from a Council Tax Benefit regime to the Discount scheme that has been in operation from April 2013 and the costs associated with the changes. This grant will be used to underpin the budget of the Council and was not previously anticipated.

### **Department of Health Revenue Grant**

8.21 This grant from the Department of Health at £151k replaces the former Local Reform and Community Voices grant (LRCV). In 2014/15 the LRCV grant also included allocations for Independent Mental Health Advocacy and for veterans' Guaranteed Income Payments, which have been included within the Better Care Fund for 2015/16. When comparing against the LRCV to anticipated levels, there is a reduction in this grant of £52k.

### **Council Tax Freeze Grant**

8.23 Indicative Freeze Grant for 2015/16 had been estimated by assuming the historic growth rate in Local Authority tax bases continued and that there was 100% take up of a 1% grant. Funding allocations nationally are £248m for 2015/16. As the policy of the Council is to freeze Council Tax, the Council will qualify for the grant. The Governments assessment of the grant payable is £864k which could change when the Government is notified of the Councils Taxbase. The Freeze Grant payable in respect of 2014/15 has been rolled into the RSG and has been subsumed within other funding. As the Council had expected the grant to continue to be paid separately for 2015/16, Freeze Grant received is £884k less than anticipated.

## **Adult Social Care New Burdens**

8.23 The recent reforms to Adult Social Care via the Care Act 2014 introduce a number of new burdens to local authorities.

- i) Additional assessments for the cap on individuals' lifetime eligible care costs (paid as a DCLG unring-fenced revenue grant).

The cap will come into force in April 2016 and will be set at £72k for people of state pension age and older. Anyone with an eligible care need will be able to register with their Local Authority for a care account to record their progress towards the cap. As a result the Council will need to carry out additional assessments to enable those meeting the cost of their own care to record progress towards the cap.

- ii) Universal deferred payment agreements (paid as a DCLG unring-fenced revenue grant).

From April 2015 the Council will have a new duty to offer a 'loan' towards the cost of care where certain criteria are met. This will mean that people should not be forced to sell their own homes in their lifetime to pay for care. By agreeing to a deferred payment with their Local Authorities, cost of care and support can be deferred or delayed until a later date offering a more flexible solution for the funding of care.

The funding allocations for early assessments for the cap and for deferred payment agreements have been allocated using new methodologies developed by the Review of Adult Social Care Relative Needs Formulae, as consulted upon in Summer 2014. The Oldham allocation is £1.088m and will be locally ringfenced.

## **Central Education Support Grant**

8.24 Central Education Support Grant reflects the amount Authorities are funded for school related services provided through the Local Education Authority. It is based on pupils aged 3 to 19 in state schools. The allocation received at £3.126m is a slight increase of £0.105m compared to previous estimates. This grant is used to underpin the budget of the Council but is subject to change in year.

## **Extended Rights to Free Travel**

8.25 This grant is passed to the Authority to assist in funding low income families attending schools further from home than the statutory walking distance and to promote the general duty of sustainable travel. This grant of £23k was not previously anticipated in the funding allocations for 2015/16. It will be used to underpin the budget of the Council

## **Special Educational Needs or Disabilities (SEND)**

8.26 Following a public consultation, the SEND code of Practice 0-25 came into force on 1<sup>st</sup> September 2014. The aim is to find ways to identify the needs of children and young people earlier, make it easier for families to receive the support they need and to develop fairer and more transparent funding arrangements.



Nationally funding of £31.7m is available and the 2015/16 allocation for Oldham is £160k. This grant is to be locally ringfenced.

### **Overall Position After Allowing for the Impact of the Final Settlement and Other Grant Assessments**

<b>Changes to Funding Local arising from the Final Local Government Finance Settlement and Revision to Related Estimates</b>	<b>Expected Position £m</b>	<b>Final Settlement £m</b>	<b>Difference £m</b>
General Government Grants	8.826	9.308	0.482
Business Rates Grants	2.472	2.619	0.147
Settlement Funding Assessment	108.002	108.685	0.866
<b>TOTAL CHANGE TO RESOURCES AVAILABLE</b>	<b>119.300</b>	<b>120.795</b>	<b>1.495</b>

8.27 As can be seen in the table above, an initial review of the General Grants in the Settlement shows a favourable variance of £482k. When adding increased Local Settlement Funding Assessment figures of £866k, the impact of the Final Local Government Settlement is an apparent favourable position of £1.348m.

8.28 When taking into account the estimation of Business Rates grants, this takes the overall potential favourable variance to £1.495m.

## **9 Other Changes Impacting on the Financial Position**

### **Council Tax Policy 2015/16**

9.1 As highlighted at sections above, the Council intends to accept the Council Tax Freeze grant of £864k offered by Central Government for 2015/16. The Council Tax policy is therefore to keep the Oldham Council element of the Council Tax static at £1,392.95 for a Band D property. The level of Council Tax this will generate is determined by the Council Tax Base as set out in 9.3.

### **Relevant Basic Amount of Council Tax**

9.2 The Council must 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" will be determined annually but for 2015/16 has been set at a figure of a 2% increase in the RBA of Council Tax. 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. As there is to be no increase, no referendum is required.

### **Council Tax Base**

9.3 Each year the Council is required to review its Tax Base by considering the:

- a) 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;
- b) anticipated level of Council Tax that will be collected known as the Collection Rate.

- 9.4 On 26<sup>th</sup> January 2015 Cabinet approved the calculation of the Council Tax Base for 2015/16 and a summary of the calculation is included at Appendix G to this report. The taxbase has increased from 51,865 to 53,401 generating Council Tax of £74.384m. This increase produces £2.138m extra Council Tax (at a Band D Council Tax of £1,392.95). It should be noted that £500k was assumed within a budget option and this will therefore generate £1.638m more than previously expected. The local policy to regenerate the borough is now evidencing itself and this is demonstrated by growth within the local tax base.

### **Business Rates**

- 9.5 As outlined at section 8.10 the Council has to estimate how much business rate income it can rely on for 2015/16. Business Rates income is shared between Central Government 50%, the Council 49% and the GM Fire & Rescue Authority 1%. The Government determines a business rates income baseline based on its estimate of how much business rate income can be generated, and provides a Business Rate Top Up Grant if there is a shortfall between income receivable and the baseline. The Top Up grant for 2015/16 is £29.987m.
- 9.6 The Council has made an assessment of the 49% of collectable business rates that it can rely on for budget setting purposes. This is known as the Business Rates Tax Base. The report to Cabinet on 26 January 2015 approved that the Taxbase and hence income budgeted for in the 2015/16 budget would be £28.002m.

### **Collection Fund Surplus**

- 9.7 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 15th January each year. This may produce a 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).
- 9.8 Due to changes to the Local Government Finance regime in 2013/14, and with particular focus on the elements impacting the Collection Fund (the localisation of Council Tax and Business Rates Retention), it is evident that the financial position of the Collection Fund has been more volatile than in previous years. Indeed, accounting for the assessment of outstanding business rates appeals is still very subjective and open to a range of uncontrollable elements.
- 9.9 The most recent financial monitoring position has shown that the overall Collection Fund balance that can be distributed is a deficit of £85k comprised of a surplus of £1.115m of Council Tax and a deficit of £1.200m of Business Rates as illustrated in the table below. However because of the allocation of the proportions of funding the Councils share of the Collection Fund balance is:

	<b>£m</b>
Council Tax Surplus	(0.970)
Business Rates Deficit	0.588
<b>Total Surplus</b>	<b>(0.382)</b>

	Allocation				Total
	Central Government	Police	Fire	Council	Surplus/ Deficit for Distribution
	£m	£m	£m	£m	£m
Council Tax	0.000	(0.105)	(0.040)	(0.970)	(1.115)
Business Rates	0.600	0.000	0.012	0.588	1.200
Total (Surplus)/ Deficit	0.600	(0.105)	(0.028)	(0.382)	0.085

9.10 The key reasons for the Collection Fund position are:

- a) Council Tax
  - The introduction of the Council Tax localisation scheme in 2013/14 and the difficulties in assessing the collection levels. The revision to the scheme for 2015/16 will remove some of this surplus going forward
  - The increase in the Council Tax Base during 2014/15 which had not been fully anticipated. The revision to the Tax Base for 2015/16 will also prevent excessive surpluses building up in the Collection Fund
- b) Business Rates
  - Changes in liability resulting from a change in occupancy
  - The uncertainty of the level of Business Rate appeals
  - The continuing economic downturn depressing business rate income

### Ringfenced Grants

#### Public Health

9.11 In April 2013 the Public Health function transferred to the Council from the then PCT. The funding for this function comes in the form of a ring-fenced grant which for 2015/16 is the sum of £14.915m (nationally £2.801bn). This funding is in line with budget expectations.

#### Better Care Fund

9.12 As highlighted earlier in the report, the Oldham share of the BCF has been confirmed at £16.036m. This is expected to cover issues such as personalisation, the provision of support carers, information advice and support, independent mental health advocacy. Funding will be allocated to the Oldham CCG as part of the pooling arrangements and passported to the Council as per the BCF agreements. This has already been anticipated within some of the savings proposals and is therefore in line with expectations.

#### 0-5 Public Health Services

9.13 The Council will take responsibility for the commissioning of 0-5 health visitor services and services linked to an all age early help offer when the functions transfer from NHS England on 1<sup>st</sup> October 2015. The service contract is currently with Pennine Care NHS Trust. On December 11<sup>th</sup> 2014 the Council was notified of the 0-5 Public Health Services grant. This is to be paid as a ringfenced grant at the value of £2.164m which is in line with expectations.

## **Dedicated Schools Grant**

- 9.14 The Dedicated Schools Grant (DSG) for 2015/16 is set at £216.738m. This provides funding for schools; the Pupil Referral Unit; and Early Years Provision in Private, Voluntary and Independent nurseries (PVI's); 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. 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 the money to the schools, according to our own funding formula. Each school's budget is subject to a Minimum Funding Guarantee (MFG), the level of which is set by 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.
- 9.15 Although the Local Authority will continue 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 pressures can be met. These blocks are:

### **a) Schools block**

This covers;

- Reception to year 11 pupils and some centrally retained services for school pupils e.g. admissions service
- Budgets which were previously within the centrally retained DSG. This gives greater choice to Headteachers, Principals and Governors on how to spend their budgets

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.

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 LA to provide better value for money or to pool risk. These services are Insurance, School Improvement/ Underperforming Schools, Contingencies and Teacher Union Duties.

### **b) High Needs Pupils**

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

### c) **Early Years**

This covers;

- free entitlement to Early Years funding for 3 and 4 year olds
- current centrally retained Early Years services.

- 9.16 The DSG for 2015-16 also includes funding of £56k for the costs of monitoring and quality assurance of Newly Qualified Teachers (NQT) induction.
- 9.17 The Oldham DSG has also been reduced by a share of the deduction to DSG as a result of schools no longer being part of the Carbon Reduction Commitment (CRC) Energy Efficiency Scheme.
- 9.18 Based on pupil number changes, the DSG funding received by Local Authorities continues to be allocated on a 0% cash change basis for the Schools Block and Early Years Block. (i.e. the guaranteed unit of funding per pupil will be the same as that in 2014/15). Although the funding allocated to the Local Authority will remain constant for 2015/16, 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.
- 9.19 In determining schools budgets, a number of key changes have been implemented. This includes reducing the number of factors that can be used in local formulae to distribute funding from 37 factors to 12.
- 9.20 To dampen the impact of changes to schools budgets the Minimum Funding Guarantee (MFG) will continue at minus 1.5% per pupil, and be calculated on a simplified basis. MFG will ensure that budgets do 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 gainers. 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 2015/16 the capping level has been set at 1.8%
- 9.21 In relation to the Council's revenue budget, changes to the DSG will have a neutral effect and work has taken place to confirm this position.

### **Position after all Issues that may Impact on the Budget are Considered**

- 9.22 Pulling all the current information together about increased useable resources, and taking account of know expenditure pressures, results in the availability of £3.515m of additional resources for the Council (as set out in the following table) which is sufficient to finance the known expenditure pressures. It will not require a change to the total savings proposals of £35.229m.

Changes to Funding After the Final Local Government Finance Settlement and Revision to Estimates	Expected Position £m	After Settlement £m	Difference £m
General Government Grants – Settlement	8.826	9.308	0.482
Business Rates Grants	2.472	2.619	0.147
Provisional Settlement Funding Assessment	108.002	108.868	0.866
Council Tax for Council Use	72.746	74.384	1.638
Collection Fund Surplus	0	0.382	0.382
<b>TOTAL CHANGE TO COUNCIL RESOURCES AVAILABLE</b>	<b>192.046</b>	<b>195.561</b>	<b>3.515</b>
Parish Precept – Ringfenced to Parishes	0.231	0.239	0.008
<b>TOTAL CHANGE TO BUDGET</b>	<b>192.277</b>	<b>195.800</b>	<b>3.523</b>

## 10 Further Expenditure Pressures

10.1 Since the budget savings target was initially determined, a number of other budget pressures have been identified, some of which are linked to the direct allocation of resources by Central Government. The additional expenditure pressures identified are detailed as follows:

a) New Responsibilities – Adult Social Care and SEND

As highlighted above, the Government has provided resources of £1.088m to address new Adult Social Care responsibilities and £160k to support the earlier provision of services for children with special educational needs or disabilities (SEND). These new responsibilities therefore require funding, and the expenditure budget is to be increased to match the level of Government resources provided.

b) Achievement of Prior Year Savings

Savings agreed in 2014/15 related to activities of the Unity Partnership in assisting the Council make savings by reducing spending or increasing income. The make-up of the savings has changed as the programme of activity has developed and savings linked to the increase in the level of Council Tax by means of reviewing issues such as Single Person Discount have been added to the programme. As savings have already been assumed from reduced expenditure, this requires the increase in income to be matched by a corresponding revenue pressure of £278k in order to produce a balanced position.

c) Pay Award

Provision for the pay award has been included in previous estimates, but given the announcement that the NJC pay award has been settled at 2% over a two year period to the 31st March 2016, the estimated initial provision was insufficient. A pressure of £209k has been identified and resources have been allocated to address this.

d) Staying Put

Staying Put is a Government initiative to enable young adults to remain in foster care past the age of 18. This has been funded by grant in 2014/15; as yet no funding allocation for 2015/16 has been announced. Given the importance of this initiative, funding of £185k has been allocated to finance this key area.

e) Revenue Priorities

During 2014/15 a number of central government grants have been reduced in-year and additional pressures have been identified. In order to enable such budget issues to be addressed in 2015/16, a revenue priorities budget of £1.475m is to be retained.

10.2 The availability of additional resources has allowed for a review of budget proposals. It is now proposed to reduce option D040 Review District Arrangements by £120k. As a consequence a new budget proposal is required. This is presented as D064C – Use of additional resources to support the budget and is summarised within Appendix D and in detail within Appendix E.

10.3 The allocation of the additional resources of £3.515m as outlined below produces a balanced position.

<b>New Burdens, Expenditure Pressures and New Proposal</b>	<b>2015/16 £m</b>
- SEND Implementation	0.160
- Adult Social Care New Burdens	1.088
<b>Total New Burdens</b>	<b>1.248</b>
Expenditure Pressures:	
- Achievement of Prior Year Savings	0.278
- Pay Award	0.209
- Staying Put	0.185
- Revenue Priorities	1.475
<b>Total Expenditure Pressures</b>	<b>2.147</b>
<b>New Savings Option - D064C</b>	<b>0.120</b>
Less Resources Available	3.515
<b>Balance</b>	<b>0.000</b>

## 11 Other Issues Impacting on the Budget

### Business Rates Pooling

11.1 Members will be aware that as a result of the change to the Business Rates regime, it is possible for a group of Councils to form a business rates pool. The purpose of pooling business rates across the individual authorities is not intended to alter individual authority's income levels but to retain any levy that might be payable by certain members of the pool. Any sum gained would be retained by the pool.

- 11.2 Councils in Greater Manchester have considered this in both 2013/14 and 2014/15 but the matter was not pursued as it was not considered to be a viable proposal given the volatility around business rates income especially with regard to the position on business rates appeals.
- 11.3 After a review of the anticipated business rates position for 2015/16, an application for the pooling of business rates has been submitted to the Department of Communities and Local Government on behalf of the Greater Manchester Council's and Cheshire East. Manchester City Council will administer the pool and it is anticipated that any proceeds will be retained for investment within Greater Manchester and other non Greater Manchester Councils.
- 11.4 A key requirement was that each Authority made a decision on whether it wishes to be part of the pool within 28 days of the issue of the Provisional Local Government Finance Settlement i.e. by 15<sup>th</sup> January 2015. As a decision did not fit within the Cabinet reporting timeframe, Council of 17<sup>th</sup> December delegated the decision on whether Oldham Council should be part of the pooling arrangement to the Cabinet Member for Finance and HR in consultation with the Executive Director, Corporate and Commercial Services and the Interim Borough Treasurer. Given the business rates position of the Council, a delegated decision was made that the Council should join the pool.

#### **Greater Manchester Waste Disposal Authority (GMWDA)**

- 11.5 The GMWDA approved its 2015/16 budget and levies to the Greater Manchester Districts on 13<sup>th</sup> February 2015. This confirmed the assumption that Oldham's levy would reduce to £16.573m and that the reliance on the waste smooth reserve could also reduce. There remains a contribution of £195k from the waste smoothing reserve, to offset expenditure on the levy.

#### **Greater Manchester Combined Authority (GMCA)**

- 11.6 The GMCA met on 30<sup>th</sup> January 2015 and approved its budget for 2015/16. Oldham's levy was set at £16.337m and contributions for other GM services increased to £351k reflecting some movement of functions between the GMCA and AGMA.

#### **Environment Agency**

- 11.7 The Environment Agency has confirmed the anticipated increase in its levy for 2015/16. The revised levy is therefore £100k.

#### **Association of Greater Manchester Authorities (AGMA)**

- 11.8 The AGMA budget for 2015/16 was agreed on 30<sup>th</sup> January 2015. The AGMA contribution has reduced to £591k for 2015/16 reflecting some movement of functions to the GMCA.



## 12 Impact of the Decisions of Precepting Authorities

12.1 Whilst the spending decisions of precepting Authorities do not affect the level of resources available to the Council, they do affect the amount of Council Tax that is charged to Oldham citizens. The major preceptors are the PCCGM and the GMFRA. The PCCGM and the GMFRA held their respective budget setting meetings on 12<sup>th</sup> February 2015 and both bodies agreed to freeze Council Tax for 2015/16.

### Parish Precepts

12.2 Saddleworth Parish Council agreed its 2015/16 budget and parish precept at a meeting on 26<sup>th</sup> January 2015. A freeze in the Council Tax charge was agreed. Shaw and Crompton Parish Council agreed its 2015/16 budget and parish precept at a meeting on 9<sup>th</sup> February 2015. It agreed to increase its charge by 1.96% to £15.11.

### Council Tax – Draw on the Collection Fund

12.3 The Band D Council Tax for 2014/15 is therefore proposed as follows and set out in detail in Appendix H.

Council Tax Raising Body	2014/15 Council Tax £	2015/16 Council Tax £	Change %
Oldham	1,392.95	1,392.95	0.00%
PCCGM	152.30	152.30	0.00%
GM Fire & Rescue Authority	57.64	57.64	0.00%
<b>TOTAL BOROUGH WIDE BAND D COUNCIL TAX</b>	<b>1,602.89</b>	<b>1,602.89</b>	<b>0.00%</b>
Saddleworth	19.35	19.35	0.00%
Shaw & Crompton Parish Council	14.82	15.11	1.96%

12.4 Taking account of Council Tax assumptions, the sums to be drawn from the Collection Fund for Council Tax for 2015/16 are, subject to confirmation, as follows:-

Precepting Body	£m
Oldham Council	74.384
PCCGM	8.133
GM Fire & Rescue Authority	3.078
Saddleworth Parish Council	0.159
Shaw & Crompton Parish Council	0.080
<b>TOTAL</b>	<b>85.834</b>
Less: contribution from Parish Taxpayers	(0.239)
<b>TOTAL Draw on Collection Fund for Major Preceptors</b>	<b>85.595</b>

### 13 2015/16 Savings

- 13.1 As highlighted in this report, there is no need to amend the savings target in the light of the Final Local Government Finance Settlement and other changes. Attached at Appendix A is the consolidated list of budget proposals highlighting how the 2015/16 budget could be balanced if all proposals were agreed. The staffing reductions previously reported were 121.1 FTE. The proposed revision of option D040 has changed this figure to 115.1 FTE. It should however be noted that this figure differs from the 117.1 FTE figure included on the S188 notice issued to Trade Unions on 2nd October at the beginning of the staff consultation process. Proposal D052 Organisational Redesign Phase 1 relating to a change to the senior management structure of the Council with an FTE count of 4, ran to a different consultation timescale that ended on 15th September 2015. The S188 staff consultation period in relation to the 117.1 (now 111.1) posts expired on 1<sup>st</sup> December.
- 13.2 Appendices B and C set out savings proposals already approved by Council in December.
- 13.3 Appendix D summarises the savings proposals for approval by Council totalling £7.758m and detailed options revised following completion of consultation at Appendix E.
- 13.4 Appendix A also summarises proposals which required detailed Equality Impact Assessments (EIAs) to be carried out prior to any decision being made.
- 13.5 Appendix E also details the revised EIAs for approval following completion of outstanding consultations,
- 13.6 If all savings proposals were approved, the revised revenue budget would therefore be presented as set out below. The detailed budgeted expenditure by portfolio, reflecting all savings proposals and other budget adjustments is set out in detail below.

2015/16 Revenue Budget	£m
Cooperatives and Neighbourhoods	76.502
Health and Wellbeing	73.114
Economy and Skills	18.684
Corporate and Commercial Services	4.495
Corporate and Democratic Core	5.200
Policy and Governance	2.073
Capital Treasury and Technical Accounting	15.629
Parish Precepts	0.298
Use of Reserves	-0.195
<b>2015/16 Net Revenue Budget</b>	<b>195.800</b>

2015/16 Net Revenue Budget		2015/16 £m
<b>Prior Year Net Revenue Budget (2014/15)</b>		<b>222.428</b>
<b>Less one year adjustments in 2014/15</b>		(6.224)
<b>Less adjustment to Base Budget - Levy</b>		(0.477)
<b>Revised Base Position</b>		<b>215.727</b>
<b>Expenditure Pressures:</b>		
- Pensions		0.265
- Pay Award		0.899
- Inflation		2.847
- Investment Fund		4.953
- Demand Pressures		1.353
- Reduction for Local Welfare Provision Grant Loss		(1.022)
- Settlement New Burdens		1.248
- Further Expenditure Pressures		2.267
<u>Savings Proposals and Use of Reserves</u>		
- Agreed Use of reserves to support GMWDA Levy		(0.195)
- Identified Savings Proposals		(32.542)
<b>Total Expenditure</b>		<b>195.800</b>
<b>Funded By:</b>		
- Business Rates Top Up		29.987
- Revenue Support Grant		50.879
- Housing Benefit and Council Tax Administration		1.529
- Council Tax Freeze Grant		0.864
- Central Education Support Grant		3.126
- New Homes Bonus		2.086
- New Homes Bonus Adjustment		0.189
- Extended Rights to Free Travel (other grant)		0.023
- SEND Implementation Grant		0.160
- Adults Social Care New Burdens		1.088
- Council Tax New Burdens		0.066
- Lead Local Flood Authorities		0.026
- Settlement Funding Adjustment		0.641
- Department of Health Grant		0.151
- Additional Business Rates Grants		0.119
<b>Total Government Grant Funding</b>		<b>90.934</b>
- Retained Business Rates		27.674
- Council Tax Income		74.123
- Income Related Budget Proposals		2.687
- Collection Fund Surplus		0.382
<b>Revised Budget Funding</b>		<b>195.800</b>

Note that the income related budget proposals includes increases in Council Tax (£0.500m) and Business Rates (£0.328m). Actual Council Tax income is £74.623 including Parish Precepts (£74.384m excluding Parish Precepts) and Retained Business Rates income is £28.002m.

#### 14 Budget for 2016/17

- 14.1 The financial year 2016/17, is the second year of the two year budget setting timeframe that the Council has been working to. The initial estimate for savings was £25.096m. As can be seen from the table below, this has increased by a net £4.393m to £29.489m primarily as a result of increases in expenditure pressures. As £9.398m of savings have already been identified the budget gap to be addressed has risen from £15.698m to £20.091m.

Estimated revenue position 2016/17	2016/17 £m
<b>Prior Year Net Revenue Budget</b>	<b>195.800</b>
<b>Expenditure Pressures:</b>	
- Pensions	0.263
- Pay Award	1.717
- Inflation	3.818
- Investment Fund	1.055
- Business Plan	1.500
- Increase in NI Changes	2.363
- Fair Employment Charter Costs	0.600
<b>Total Expenditure</b>	<b>207.116</b>
<b>Funded By:</b>	
- Business Rates Top Up	30.587
- Revenue Support Grant	33.276
- Housing Benefit and Council Tax Administration	1.378
- Council Tax Freeze Grant	1.790
- Central Education Support Grant	2.266
- New Homes Bonus	2.000
- Multiplier Cap	0.641
- Adults Social Care	0.585
<b>Total Government Grant Funding</b>	<b>72.523</b>
- Retained Business Rates	29.980
- Council Tax Income	75.124
<b>Revised Budget Funding</b>	<b>177.627</b>
<b>Net Gap/Savings Requirement</b>	<b>29.489</b>
<b>Less Savings Already Identified</b>	<b>(9.398)</b>
<b>Savings Yet to Find</b>	<b>20.091</b>

- 14.2 The change in the budget gap of £4.393m is summarised in the table below, however it should be noted that the new expenditure pressures identified at 14.3 (a) to (d) total £4.676m, with a small net change in resources offsetting the increased costs.

Expenditure Pressures:	Initial Estimate £	Revised Estimate £	Change £
- Increase in Base Budget	0.000	3.523	3.523
- Pay Award	0.908	1.717	0.809
- Inflation	2.914	3.818	0.904
- Increase in NI	0.000	2.363	2.363
- Fair Employment Charter	0.000	0.600	0.600
Total increase in expenditure pressures	3.822	12.021	8.199
Less:			
- Increase in Government Grant	0.000	1.299	1.299
- Increase in Retained Business Rates	0.000	0.360	0.360
- Increase in Council Tax	0.000	2.147	2.147
Overall Change	3.822	8.215	4.393

14.3 The key changes in the table that impact on the savings target relate to the following issues

a) Pay Award

Provision for the pay award has been increased to 2% given the experience of the pay settlement for 2014/15 to 2015/16. An additional increase to the budget over previous estimates of £809k is required.

b) Inflation

A review of the inflation calculation using up to date information has led to an increase in the budget pressure by £904k. As in the 2015/16 budget round, this position can be reviewed later in the financial planning round.

c) Increase in National Insurance costs

The Pensions Act 2014 introduced a new 'single tier' State pension payable to those reaching State pension age from 6<sup>th</sup> April 2016. This means that 'Contracting Out' for defined pension benefits schemes will be abolished from 6<sup>th</sup> April 2016. This will result in an increase to the payroll bill of Local Government Pension Scheme employers with an increase in National Insurance contributions. This unavoidable increase has been assessed as £2.363m.

d) Fair Employment Charter

The Council wishes to continue to support the Fair Employment charter. The financial implications of the first phase of this initiative have been included in the 2016/17 budget at £600k.

14.4 Any changes to the assumptions for the 2016/17 budget will change the potential budget gap. Assumptions and projections can be developed further during 2015/16.

14.5 The next stage in the two year budget process is to work towards finalising savings for 2016/17 based on current projections. As a first step it is proposed to distribute targets on a pro rata basis to commissioning cluster group so that suitable options can be brought forward for consideration. It is proposed that the detailed examination and review of 2016/17 budget proposals is undertaken around the commissioning clusters rather than the thematic groups used for 2015/16. This is to ensure the aligning of priorities and delivery mechanisms and reflects the emphasis of the Oldham Plan, the blue print for the borough and also the Corporate Plan both of which are currently being refreshed. The commissioning clusters are:

- Economy and Skills
- Health and Wellbeing
- Co-operatives and Neighbourhoods

14.6 These Clusters are the delivery vehicles for partnership working and represent a new way of working and an opportunity for innovation and developing radically different ways of using resources to deliver shared outcomes. The Council is also restructuring under the cluster themes. This will assist in providing opportunities to strengthen the Council's approach to business planning to support delivery of key outcomes and also embed the recently launched Values and Behaviours. The Corporate Plan will inform and underpin planning and delivery for the next financial year and beyond.

14.7 The proposal to take forward the budget process for the 2016/17 financial year in the cluster themes, would currently exclude the Corporate and Commercial Services Portfolio along with other central service areas. It is therefore proposed that these areas are combined to form a fourth cluster specifically for the budget process.

14.8 Clearly there is still a lot of work to do to address the savings target but it is also evident that good progress has been made so far and the established working arrangements are successful. The savings proposals to address the remaining gap for 2016/17 will be considered via the Star Chamber process and brought forward for detailed review and scrutiny during 2015/16.

## **15 The Medium Term Financial Strategy (MTFS)**

15.1 The Medium Term Financial Strategy is a core part of the Council's strategic framework and has a vital role to play in enabling the translation of the Council's ambition and priorities into action. This Medium Term Financial Strategy (MTFS) principally focuses on taking a forward look over a five year timeframe (2015/16 to 2019/20) at a range of major issues affecting the financing of Oldham Council.

15.2 The strategy considers:

- international and national economic influences on Oldham Council
- local factors which influence policy within the Council including the Administrations priority of regenerating the borough and creating jobs
- key Council policy areas
- the influence of Central Government policy and strategy

15.3 The strategy brings together the key issues affecting the revenue budget, Housing Revenue Account budget, treasury management strategy, statement on

the use of reserves, capital strategy and capital programme. It projects the level of available resources and budget pressures relating to both capital and revenue funding streams. It therefore highlights the budget challenges that will need to be addressed by the Council over the coming financial years. The MTFS is included in a further report presented to this meeting.

## **16 Fees And Charges**

- 16.1 Attached at Appendix F are the proposed fees and charges for 2015/16 financial year. An element of the charges have been uplifted following discussions with the Heads of Service, however a number are proposed to remain the same as in 2014/15.
- 16.2 At this stage where services have proposed to increase the charge it is not proposed to increase income budgets, unless the increase already forms part of a budget saving proposal, due to the highly volatile nature of the income.

## **17 Pay Policy Statement**

- 17.1 It is a requirement of Section 38 of the Localism Act that the Council reviews and prepares a Pay Policy Statement for each financial year and that it is approved by full Council. The Department for Communities and Local Government published a revised Local Government Transparency Code in October 2014. Amongst other things this places additional requirements on local authorities in England to publish additional information relating to senior salaries. The purpose of these requirements is to provide transparency of approach to setting pay for our employees with particular emphasis on the level of remuneration for our most senior staff. The draft Pay Policy Statement accords with all requirements and is included at Appendix I.
- 17.2 The Council's current Pay Policy Statement continues to be available on the website together with a range of pay data specific to senior officers in accordance with the Localism Act and Transparency Code. This data will be reviewed and as appropriate updated effective from 1st April 2015 so that it is relevant to the 2015/16 financial year. The data provided within Appendix I will reflect the position as of 1st January 2015 in the current financial year 2014/15. There is a link within the document referring to the Council's Constitution which does not require any update, but is included in the Pay Policy for the interest of transparency and ease of access for readers. It has not been provided with this paper but will continue to be available to review via the website.

## **18 Options and Alternatives**

- 18.1 Council can make comments on the proposals/information included in this report and revise the budget proposals/revised resource allocation outlined in this paper.

## **19 Preferred Option**

- 19.1 That Council approves the budget and Council Tax levels proposed within this report.

## **20 Consultation**

- 20.1 Since 1<sup>st</sup> August 2014 the Council has been consulting the public about its budget challenge and about how we can work together to meet that challenge.
- 20.2 The Council commissioned a short video which outlined our financial position and our co-operative approach. The video then asks residents to get involved in an online discussion about how the Council should spend its budget and invites them to offer their money saving ideas. The video has been promoted via social media, on the Council's website, through district networks and partners including Oldham Housing Information Partnership and Voluntary Action Oldham, through the local media (both print and broadcast), via the Contact Centre call lines, and has currently had 23,032 views. It has received more than 100 direct replies or comments on Twitter and the hashtag #Letstalkbudget has been used 2,128 times. We've also had more than 1,200 engagements (comments, shares and likes) on Facebook.
- 20.3 To ensure we did not exclude residents who do not use digital channels we also included budget messaging in two editions of our resident newsletter, Borough Life, and in a two page feature in the Oldham Evening Chronicle on two occasions. Both of these offered a tear-off reply slip asking for feedback and ideas. In addition, the budget information was produced in a print summary, which was distributed through the district networks and handed out during public events. It was also placed in key council locations, including Access Oldham and Libraries.
- 20.4 During this time we have also been talking to Council Staff about our budget challenge and asking them to share their money saving ideas through an intranet forum.
- 20.5 The most recent information shows that we have received 128 budget ideas and suggestions across social media, the online discussion forum, by post and from staff through our intranet. Wherever, possible we have responded directly to comments and suggestions offering further information about Council spend and services. Appendix J summarises the key consultation comments received so far.
- 20.6 Alongside the Council's public consultation around the '£60 Million Budget Challenge', there has been specific consultation around the savings proposals in Adult and Children's Services and Public Health. Where appropriate the feedback received to date has been reflected in the EIAs. The website information around the proposals included a link to certain overarching questions for consideration and a 'mailbox' for additional comment. We also held a number of public consultation meetings to specifically discuss proposed changes to adults and children services and public health. These were promoted in council buildings, online, on social media and in the local press. There was also consultation around specific proposals with affected groups including staff and service users for example, proposals around short break provision for children with disabilities (and consultation is still on-going in this area). There has also been consultation with key partners including the Clinical Commissioning Group, provider organisations and the Voluntary and Community Sector (VCS).
- 20.7 In respect of public and user/carer consultation the Council's aim of reducing dependence on statutory services has been a factor particularly in instances where service users are more vulnerable. Some people can see the value in an



expanded role for neighbours and communities whereas others feel that reliability and continuity may be difficult to achieve.

20.8 Voluntary Sector partners have been actively involved in the work around developing the 'early help offer' alongside the budget savings proposals and there is keen local interest in an expanded role in delivery for the VCS. There is a fear that smaller organisations might be denied opportunities if many of our commissioning proposals are large scale.

20.9 The full summary of consultation responses are enclosed at Appendix J.

## **21 Financial Implications**

21.1 Dealt with in full in this report.

## **22 Legal Services Comments**

22.1 The Council has a legal obligation to pass a resolution to pass its budget and Council Tax resolutions by 10 March 2015. There are legal issues contained in the body of the report.

## **23 Co-operative Agenda**

23.1 The Council will ensure that its budget setting process addresses the repositioning of the Council as a Co-operative Council linking to Oldham's ambition for a Co-operative Future.

## **24 Human Resources Comments**

24.1 High level union and staff engagement commenced as early as 23rd July with those options released by Star Chamber in June in order to start giving an indication of where savings may be required and the Council's initial thoughts. Those options released by Star Chamber in July and September were shared at the end of September.

24.2 The S188 document starting formal consultation on these proposals was issued to the recognised trade unions on the 2<sup>nd</sup> October 2014 and started the minimum 45-day consultation process. Generally the consultation period ended on 1<sup>st</sup> December in order to allow full consideration of any comments or alternatives submitted by unions or staff to be considered in advance of, and where relevant presented to, Cabinet and Council for final approval. The S188 document showed a potential 117.1 FTE job losses.

24.3 The cross cutting proposal which affects the corporate management of the Council is outside of the Section 188 timeline as consultation had already commenced earlier in the summer and are therefore non Section 188 related.

24.4 Consultation with staff and unions commenced as detailed proposals became available and in most cases has now ended and, following approval by Council in December 2014, are now being implemented. Of the options approved at Council subject to the outcome of final completion of the consultation process, formal consultation the proposals for People Services Re-design has commenced and will be completed by the beginning of March. Any changes to the proposals will be re-presented to Council for re-consideration if applicable.

- 24.5 Two options are presented within this report; Children's and Adult's Services Re-Design, and consultation has now ended in relation to these. In addition one further option, the Review of District Assets is also included in this report. This option was initially presented on the S188 document showing a saving of £300k and with a potential reduction in posts of 6 FTE posts. However proposals for £120k of this saving has now been withdrawn, together with its associated reduction in staffing numbers, and, as such the potential job losses indicated on the S188 document has reduced to 111.1 FTE.
- 24.6 People Services and the HR Advisory Service will continue to work with the Directorates to ensure that the proper implementation process is followed and that staff and unions are engaged at the correct stages, especially where compulsory redundancy selection is required. (Sally Blackman)

## **25 IT Implications**

- 25.1 Many of the budget proposals require the more efficient use of existing computerised systems. Any costs associated with any improvements to systems have been factored into the net budget savings put forward.

## **26 Property Implications**

- 26.1 Any impacts on asset management have been factored into the proposals identified or will be dealt with as part of the previously approved asset management strategy.

## **27 Procurement Implications**

- 27.1 Any proposals that impact on the procurement of goods, services etc. will be undertaken in full liaison with procurement and in compliance with all necessary Council and statutory requirements.

## **28 Environmental and Health & Safety Implications**

- 28.1 Environmental and Health and Safety implications will be taken into account when dealing with the individual proposals as appropriate.

## **29 Equality Impact Assessment Completed**

- 29.1 In taking financial decisions the Council must demonstrate that it has given "due regard" to the need to eliminate discrimination, promote equality of opportunity and promote good relations between different groups.
- 29.2 Demonstrating that "due regard" has been given involves:
- assessing the potential equality impacts of proposed decisions at an appropriate stage in the decision making process - so that it informs the development of policy and is considered **before** a decision is taken;
  - ensuring that decision makers are aware of the equality duties and any potential equality issues when making decisions.

NB – having due regard does not mean the Council cannot make decisions which have the potential to impact disproportionately, it means that we must be

clear where this is the case, and must be able to demonstrate that we have consulted, understood and mitigated the impact, where possible.

- 29.3 To ensure that the process of impact assessment is robust, it needs to:
- Be specific to each individual proposal;
  - Be clear about the purpose of the proposal;
  - Consider available evidence;
  - Include consultation and involvement with those affected by the decision, where appropriate;
  - Consider proposals for mitigating any negative impact on particular groups;
  - Set out arrangements for monitoring the actual impact of the proposal.
- 29.4 The Equality Act 2010 extends the public sector equality duties to cover eight protected characteristics, namely:
- age,
  - disability,
  - gender,
  - gender reassignment,
  - pregnancy and maternity,
  - race,
  - religion and belief and
  - sexual orientation.
- 29.5 In December 2010, the Government announced that it would not be taking forward the socio-economic duty for public bodies. Despite this we have continued to consider people on low incomes as part of our equality impact assessment process.

### **Oldham's approach to assessing the impact**

- 29.6 Assessing the potential equality impact of proposed changes to policies, procedures and practices is one of the key ways in which public authorities can show 'due regard'. Equality Impact Assessments (EIAs), therefore, provide a structured framework which enables the Council to ensure that it considers the equality impact of decisions, and to demonstrate to others that it has done so.
- 29.7 Oldham's EIA form is based on the experience of previous years and incorporates elements from good practice elsewhere. The main aims of our current EIA are to:
- strengthen the process through improved accountability – identifying a lead officer for each EIA;
  - stimulate a more rigorous and overt analysis of the impact and possible mitigations;
  - implement a stronger equality monitoring and management process to ensure that we follow through on what we said we would do. This

includes identifying risks to implementation and how these will be managed.

- 29.8 Where they are available, draft EIAs are included for consideration by the PVFM Select Committee. This early release of the draft EIAs gives the Select Committee the opportunity to consider the potential impact of the proposals when carrying out its deliberations.
- 29.9 Public consultation finished on 16 November 2014, although where necessary specific consultation with users has continued. No EIA is complete until consultation has closed. Following close of consultation the EIAs are finalised using the information and feedback from consultation. These are available to Cabinet and Council.
- 29.10 The equality impact assessment process undertaken for the Council's budget process involves:
- An initial equality impact screening – The budget proposal action plan forms completed by each Assistant Executive Director (AED)/ Service Manager incorporate an initial equality screening to identify whether any proposal has the potential for significant disproportionate adverse impact in respect of any protected characteristic i.e. whether the impact of the proposal falls disproportionately on any particular group – such as people with a disability.
  - The initial screenings are then independently reviewed by a small group with knowledge of the equality legislation, comprising the Cabinet Member for Adult Social Care and Public Health, the Assistant Executive Director for Adults and Commissioning, a senior officer from the Neighbourhoods directorate, and a lawyer from the Legal Services team.
- 29.11 The key aims of this review process are to:
- assess the potential equality impact of each proposal using the information provided.
  - provide challenge to those where the Group feel the initial screening does not accurately identify those equality groups potentially affected and that a further screening process needs to be completed.
- 29.12 An equality impact assessment is carried out if the initial screening identifies that the proposal could have a potential significant, disproportionate adverse equality impact.

#### **Involving elected members**

- 29.13 A key element to assessing the equality impact has been the involvement of elected members. This involvement has included:
- Cabinet Member for Adult Social Care and Public Health sits on the Equality Challenge Group.

- Consideration of equality impact throughout the Star Chamber process, including through the initial screenings on the proposal forms and a briefing paper.
- Briefings between Executive Directors and Cabinet Members during development of proposals and working together to consider the equality impacts and identify any mitigating actions.
- Both the EIA screening information contained with the budget proposals and the EIA forms themselves, where available, are submitted to, and considered by the PVFM Panel NB: The EIA forms are still in draft at this stage;
- Final EIAs are made available to Members alongside the budget proposals in the Council papers.

29.14 The Council in adhering to the legal requirements is completing EIAs and progress will be reported on these throughout the budget preparation as it was last year. (Jenni Barker)

### **30 Equality Impact Assessment Completed**

- 30.1 An equality impact assessment is carried out if the initial screening identifies that the proposal could have a potential significant, disproportionate adverse equality impact.
- 30.2 Appendices A & D identifies within the list equality impact assessments and the detailed assessments of Appendix D are included with the proposals at Appendix E.

### **31 Key Decision**

31.1 Yes.

### **32 Forward Plan Reference**

32.1 CFHR-27-14

### **33 Background Papers**

33.1 The following is a list of 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 the Act:

File Ref:	Background papers are included in A – J of this report.
Officer Name:	Anne Ryans
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## **List of Appendices**

- A) Summary of Savings Proposals (£35.229m)
- B) Approved Savings Summary (£27.471m)
- C) Approved Detailed Proposals (£27.471m)
- D) Summary of Savings to be Approved (£7.758m)
- E) Detailed Proposals to be Approved including EIAs (£7.758m)
- F) Fees and Charges
- G) Council Tax Base 2015/16
- H) Council Tax Schedule
- I) Pay Policy Statement (including supplementary information at Annex 2)
- J) Summary of Consultation Responses

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