

3 f)

Council

25 February 2015

Medium Term Financial Strategy 2015/16 to 2019/20

Portfolio Holder: Councillor Jabbar, Cabinet Member for Finance and HR

**Officer Contact: Anne Ryans, Interim Director of Finance
Ext. 4902**

Purpose of Report

To present the Medium Term Financial Strategy (MTFS) for the financial years 2015/16 to 2019/20 having regard to the uncertainties around a number of issues including the level of reductions in future funding from Central Government and the consequent changes required of the Council.

Executive Summary

The report advises that the Council, based on current information, trends and demand pressures will continue to be required to make considerable revenue budget savings over the MTFS period of 2015/16 to 2019/20.

By having regard to the projections in the report, the Council will however, be well placed, to prepare in an appropriate manner for the challenges ahead and therefore be able to respond accordingly.

Recommendations

It is recommended that Council approves the MTFS attached at Appendix 1.

1 Background

- 1.1 Each year, the Council has to identify what it needs to spend on Council services for the following year and also identify provisional spending plans for future years. This ensures its spending plans are balanced and match the money it will receive from Government, council tax payers and business rate payers. These plans form part of the Council's Medium Term Financial Strategy (MTFS).
- 1.2 The MTFS is designed to build on the work and achievements of previous years and to help meet the challenges of the future
- 1.3 The MTFS is one of the key strategic plans of the Council setting out the proposed revenue spending plans for the next five years together with the key factors which influenced the strategy.

2 Current Position

The National Context

- 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 Government's 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 reduction in Government grant funding.
- 2.5 This evidence suggests that public services will have to respond to these financial challenges by delivering services differently.

The Council's Challenge

- 2.6 On 18 December 2014, the Minister for Local Government, announced the Provisional Local Government Finance Settlement (PLGFS) to Parliament. This provided Local Authorities with their provisional funding allocations for 2015/16.
- 2.7 The Final Local Government Finance Settlement (LGFS) was received on 3 February 2015 resulting in a net increase of £475k in grant funding to the Council over that

notified in the Provisional Settlement. The figures reported within the MTFS reflect this revised position.

- 2.8 Although work has been on-going during 2014/15 to identify and embed savings for the 2015/16 financial year, the LGFS and other key financial information including levies enabled the Council to confirm that these targets have been broadly in line with estimates.
- 2.9 The spending reductions included in the MTFS mean that the Council will have to continue to significantly transform its business and organisational arrangements over future years in order to meet the funding reductions and demand pressures. The Council's ambition is for a co-operative future for Oldham, one where citizens, partners and staff work together to improve the borough with the focus continuing to ensure a productive borough with confident communities supported by a Council that works co-operatively to drive change and add value.
- 2.10 The MTFS projects that in addition to the £35.229m savings target for 2015/16, the Council will have to find another estimated £58.791m over the 2016/17 (£29.489m) and 2017/18 (£29.302m) period. Given the General Election is to be held in May 2015, there could be some significant changes to funding allocations if there is a new Government and estimates would need to be revised. In addition at a regional level, the Devolution agenda for Greater Manchester, which has recently been approved could change service provision and resource allocation. At present, pending the details of the Devolution initiative, a neutral position can only be assumed.
- 2.11 The preparation of the MTFS sets the framework for the challenges ahead and using the information it contains will therefore enable the Council to determine an appropriate course of action to meet the financial challenge it faces.
- 2.12 The MTFS also contains projections for the Housing Revenue Account, capital programme, levies, precepts and information on the Treasury Management Strategy and schools funding, all of which are influential in the Council's financial planning framework.

3 Options/Alternatives

- 3.1 The alternatives are to adopt this MTFS or to let the existing MTFS run unchanged.

4 Preferred Options

- 4.1 The preferred option is that the MTFS attached at Appendix 1 is approved.

5 Consultation

- 5.1 The Council has consulted on its budget proposals to achieve the 2015/16 savings target included in the MTFS by a number of means which are more fully detailed in the Budget Report for 2015/16 on this agenda.
- 5.2 The MTFS was presented for review to the Overview and Scrutiny Performance and Value for Money Select Committee on 22nd January 2015 and was also considered and approved by Cabinet on 16th February 2015.

6 Financial Implications

- 6.1 Dealt with in full in the report

7 Legal Services' Comments

- 7.1 The Council has a legal obligation to pass a resolution to agree its budget and Council Tax resolutions by 10 March 2015

8 Cooperative Agenda

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

9 Human Resources Comments

- 9.1 Any outcomes arising from the MTFs which directly or indirectly impacts employees or their employment in this and future years will be considered and dealt with in accordance with the councils practices, policies and procedures in place at that time. This will include proper and meaningful engagement with the trades unions and staff. (Sally Blackman)

10 Risk Assessment

- 10.1 There are a whole range of issues which could impact on the MTFs and projections. A regular review of projections will ensure that any key changes are highlighted immediately. The MTFs addresses financial resilience at Section 5.

11 IT Implications

- 11.1 Any impacts on IT will be factored into the budget proposals identified in order to meet the savings targets shown in the MTFs.

12 Property Implications

- 12.1 Any impacts on asset management will be factored into the budget proposals identified in order to meet the savings targets shown in the MTFs.

13 Procurement Implications

- 13.1 Any budget proposals required to achieve the savings targets included in the MTFs that impact on the procurement of goods, services etc. will be addressed in full liaison with procurement and in compliance with all necessary Council and statutory requirements.

14 Environmental and Health & Safety Implications

- 14.1 Any budget proposals required to achieve the savings targets included in the MTFs that impact on Environmental and Health and Safety issues will be dealt with so that the impact is minimised.

15 Equality, community cohesion and crime implications

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

16 Equality Impact Assessment Completed?

- 16.1 Not applicable

17 Key Decision

17.1 Yes

18 Forward Plan Reference

18.1 CFHR-23-14

19 Background Papers

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

File Ref: Background papers are provided in Appendix 1 to the report

Officer Name: Anne Ryans

Contact No: 4902

20 Appendices

Appendix 1 Medium Term Financial Strategy