

APPENDIX 1

Oldham Metropolitan Borough Council

Medium Term Financial Strategy

2015/16 to 2019/20



Investing in Oldham

Foreword to the Medium Term Financial Strategy

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.

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

The strategy brings together the key issues affecting the revenue budget, Housing Revenue Account budget, treasury management strategy, statement on reserves and robustness of estimates, 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 issues that will need to be addressed by the Council over the coming financial years.

This is a challenging time for Local Government. The Central Government drive to reduce the national deficit has led it to significantly decreasing the level of resources made available to fund the Local Government sector. Councils such as Oldham that are still heavily reliant on Government grant funding are especially hard hit and have to make substantial savings in order to set a balanced budget. This is evidenced in this document by the level of savings required over each of the five years of the MTFS

More details of the Council's budget are contained in the Revenue Budget report that will be considered alongside this document.

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1 INTRODUCTION

1.1 Purpose of the Medium Term Financial Strategy

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. The purpose of the Medium Term Financial Strategy is:

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

The Medium Term Financial Strategy (MTFS) is an assessment of the Council's current financial position and a determination of the financial position the Council wishes to be in the medium term (five years) given the environment the Council operates in and what it wishes to achieve. In this way the Council not only secures delivering essential public services in the present, but also makes sure it is in a sustainable position to do so over the medium term and for the future.

The Medium Term Financial Strategy is currently orientated towards the analysis and review of revenue budgets. The Capital Strategy and Treasury Management Strategy deal in more detail with capital assets and the consequences of borrowing for capital purposes, however where these strategies have an influence on the revenue budgets and reserves, the implications have been included within this strategy.

The Council has approached budget setting for 2015/16 and 2016/17 as a two year budget setting exercise and has highlighted a headline £60m budget challenge over the two years. It has also had regard to the financial challenges in future years but in the main focus has been concentrated on balancing the budget for 2015/16 and identifying as many savings as possible to contribute towards the savings target for 2016/17.

The Council will approve its 2015/16 budget on 25 February 2015. The budget is developed and agreed within the context set by the Medium Term Financial Strategy.

1.2 Links to Key Corporate Objectives

The Medium Term Financial Strategy is framed by the Council's ambition for a cooperative future where everyone does their bit to create a confident and ambitious borough. The Council has agreed three corporate 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.

These objectives reflect the on-going commitment to ensure the Council works to serve the people of Oldham in all that it does and provides strong leadership for the borough. Such leadership is essential if the borough is to be able to meet the immediate

challenges faced in a way that means it is stronger and able to make the most of opportunities in the future. The Council has, as would be expected, approached its budget setting and financial planning processes with the achievement of corporate objectives underpinning decision making.

As in previous years, a thematic approach has been taken to identify savings for 2015/16 & 2016/17 and this has been applied around four main areas, which link to the corporate objectives. These four theme areas 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

The work around each theme has been led by an Executive Director and has been focused on transformational change.

1.3 National and External factors

The National Context

For over five years the UK has been experiencing economically challenging times. The challenges have been felt across the public sector but particularly in Local Government.

When the Government came into power in 2010 it immediately introduced an emergency budget and in that budget statement the Chancellor anticipated that the deficit would have reduced to £37 billion by the end of the financial year 2014/15. In successive financial assessments this figure has been revised upwards and in the Autumn Statement 2014 the Chancellor announced that the deficit stood at £91 billion. Clearly, the actions of the Government have not had the impact that was anticipated.

The latest projections are that funding reductions affecting the Council could continue for another 5 years which will mirror the lifetime of the next Parliament. This will have a significant impact on Oldham Council as it is still reliant on substantial Government grant funding to support its revenue budget.

The Government's austerity measures aimed at addressing the UK budget deficit have been a major influence in the budget setting processes for 2015/16 and have influenced the forecasts of revenue funding for 2016/17 to 2019/20.

Economists' projections also suggest that public finances will continue to be strained in the longer term. This is largely as a direct result of changing demographics and in particular as a result of an ageing population which will mean the percentage of Gross Domestic Product (the total size of all economic output), spent on items such as healthcare and pensions will rise. This strain is compounded by the fact that revenues are likely to decline.

Public services have been responding to these financial challenges by delivering services differently, particularly around the public sector reform agenda. However, the work will need to continue with more cross organisational working and joined up service

delivery. Oldham has already made an effective start, working with Health Service organisations and other public sector agencies.

Another significant influence on the financial year 2015/16 is the General Election that will be held in May. Whilst reducing the national deficit will be a priority for all political parties, the means by which this will be achieved is less clear if there is a change in Government. The issuing of a Local Government Finance Settlement for one year only has added to the uncertainty. A continuation to the reduction in Local Government funding is expected. The extent to which this will impact on Oldham is less clear. The assumptions included in the MTFs have therefore to be considered in this context.

What Does This Mean for Local Government Funding?

The 2014/15 Local Government Finance Settlement provided indicative funding allocations for 2015/16. This has therefore helped to frame the financial forecast for 2015/16 and provide background information for forecasts for 2016/17 and future years.

The Chancellors Budget in March 2014, provided little additional information to influence financial planning, neither did the limited Local Government Finance consultation papers issued during 2014. The continuation and acceleration of joint Local Government/NHS initiatives is evident with further announcements around the Better Care Fund operation, the new responsibilities for the Council arising from the Care Act 2014 and the transfer of 0-5 Health Visitor Services and the operation of the Independent Living Fund. These have all been built into the preparation of the budget for 2015/16.

The Autumn Statement 2014 provided minimal detail in relation to Local Government funding, but did confirm that there will be an extensive review of business rates, with a report before the Budget 2016. This could leave open the possibility of another major change to the business rates regime. The Statement also confirmed in relation to Business Rates, the extension into 2015/16 of the extra small business rate relief that has been given for the past few years; keeping the 2% business rates cap in place for 2015/16 and an increase in the Retail Relief from £1,000 to £1,500 in 2015/16. Although Department Expenditure Limits were not published as part of the Autumn Statement the information released confirmed that there will be further cuts in public spending with the expectation that some government departments will remain protected such as International Aid; Education and Health. This will mean other departments receiving a greater share of the reduction in funding – this is likely to include the Department for Communities and Local Government.

The 2015/16 Provisional Local Government Finance Settlement was released on 18th 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 provided information for only 2015/16 and no indicative figures have been issued for 2016/17. This is significant not only in the context of the General Election but because it reduces the opportunities for a more informed assessment of future Government grant support.

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 announced on the provisional settlement. The figures reported within the MTFS reflect this revised position.

The Final Settlement advised that local authorities will face an overall reduction in spending power of 1.7% for 2015/16 and that no local authority would experience a decrease of more than 6.4%. The Oldham reduction in revenue spending power has been assessed as 4.34%. The use of spending power as a comparator is somewhat misleading as it includes funding paid to the Clinical Commissioning Group for Oldham, estimated grant funding (rather than confirmed and therefore subject to change) and Council Tax (which is clearly not funded by the Government).

Other key national factors

The Government has continued along the work programme it set out in the National Coalition Agreement in May 2010. This has resulted in major changes to the role of, and arrangements for, local authorities. Key changes in the policy landscape include:

- **Public Service Reform**

Greater Manchester was one of four areas nationally to pilot Community Budgets. The pilot has focused on developing new investment and delivery models across public services in order to promote growth and productivity whilst reducing dependency driven demand. The key focus for this work is on prevention and supporting residents to be more independent and resilient enabling better outcomes for them and reducing the need for high-cost, reactive public services. This agenda has helped to shape some of the 2015/16 budget proposals and will have an increasing influence on service delivery in future years.

- **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. Council approved an amended 2015/16 scheme on 17th December 2014. 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. As more elements of UC are introduced there are likely to be further implications for the Council and benefit recipients.

- **Changes to Health and Social Care**

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

- **Health and Social Care Act 2012**

The Health and Social Care Act introduced substantial changes to the way the NHS in England is organised and run.

The major changes introduced by the Act include:

- The abolition of Primary Care Trusts (PCTs) and the transfer of their commissioning functions to Clinical Commissioning Groups (CCGs), consisting of GPs and other clinicians.
- The transfer of responsibility for public health from PCTs to Local Authorities.
- The establishment of Health and Wellbeing Boards to provide a forum for key stakeholders to work together to improve the health of local populations.

- **Care Act 2014**

The Act introduced a cap on the costs that people will have to pay for care in their lifetime, as recommended by the Dilnot Commission on the Funding of Care and Support. 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. The Council will take on the administration of the cap on care costs from April 2015 and is working towards addressing the requirements of the Act.

- **Better Care Fund**

The Better Care Fund (BCF) was established 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 and the Council is working closely with CCG partners to ensure a smooth transition to new working arrangements. Savings proposals for 2015/16 utilise the BCF and the Council will take the necessary steps to ensure resources are deployed effectively.

1.4 Key Assumptions

A number of assumptions have been made in developing the MTFS. The accuracy of these assumptions is regularly and closely monitored and any necessary amendments made. As highlighted previously, there is some uncertainty around Government funding in particular and this has an impact on the way that some of the assumptions have been made

Revenue Funding Assumptions

The Council's revenue funding comes through a number of different sources including Central Government support.

Council Tax Income is the largest single revenue stream that is used to support the revenue budget. Council Tax income changes each year due to changes in the tax-base (increase/decrease in chargeable Band D equivalent properties) and the Council's annual decisions on the level of the tax.

The Revenue Support Grant is the largest unringfenced general fund grant that is provided by Central Government. As an unringfenced grant is used for underpin the provision of all services provided by the Council.

The Council also receives a range of other unringfenced grants, although each of them is aimed at addressing specific issues, they are also used to underpin the general operation of Council and not specific services.

Following from the changes introduced in 2013, the Council is also responsible for the collection and retention of Business Rates with additional support from Central Government via the Business Rates Top Up grant.

Key revenue funding assumptions are as follows:-

- Council Tax
 - Tax Base – the Tax Base (the number of Band D equivalent properties) has increased for 2015/16 as a result of, for example, new properties being built, less households claiming Single Person Discount, empty properties being brought back into use. A further increase has been assumed for 2016/17, after which time a stable position has been projected
 - No Council Tax increases have been assumed for 2015/16 and the following financial year, 2016/17. Future year's increases are assumed at 1.9%. It is assumed that for 2015/16 and 2016/17 that Central Government will compensate the Council for its action via the payment of Council Tax Freeze Grant. No change has been assumed to the referendum limits around raising Council Tax
- Revenue Support Grant estimates are calculated based upon the current Local Government Settlement and for later years are based on HM Treasury assumptions on the funding for the whole of the public sector, expert local government commentators advice and local experience and knowledge. This culminates in an assumption of a reduction of 35% for 2016/17 and 40% for 2017/18. The assumption in 2018/19 is the RSG, in its current format, will be replaced by another central government grant and paid at a nominal amount of £10.475m.
- Business Rates

The risk and reward of Business Rates now rests with the Council, however Central Government support via a top up grant is received, in view of the low business rates tax base

 - Top up Grant estimates are calculated based upon the current Local Government Settlement and for future years an increase of 2%.
 - Retained Business Rates are calculated using the Government's assessment announced in the Local Government Finance Settlement adjusted for local knowledge and experience of the collection rates in 2013/14 and 2014/15. During 2015/16, the Council will receive a range of grants paid under the powers of S31 of the Local Government Act 2003 to compensate for various reliefs given to business rate payers. These are assumed to end in 2015/16 and the impact of the discontinuance, an increase in actual Business Rates received, has been built into estimates for 2016/17 onwards.

- **Business Rates Pooling**

The Council has joined a Business Rates pool with the nine other Greater Manchester Councils and Cheshire East Council. This should bring some financial benefits. The resources available from the Business Rates pool are expected to be for use at GM level and no direct benefit to Oldham has been assumed at this time.

- Unring-fenced and non-specific grants are based on the allocations that have been advised via the current settlement and for later years are based on Treasury assumptions on the whole of public sector, expert local government commentators advice and local experience and knowledge. This culminates in an assumption of a reduction or discontinuance of all grants of from 2016/17 onwards.
- Ring-fenced grants are based on the allocations that have been notified by the funding body. Upon the cessation of the grant it is assumed that any corresponding expenditure will be ended.

Revenue Expenditure Assumptions

The key assumption in calculating the revenue budget is that it is based upon the previous year's portfolio revenue allocations adjusted for any approved budget savings and growth items.

Key revenue expenditure assumptions are as follows:-

- Portfolios will not overspend against their approved allocations.
- Pressures other than those that are approved to be funded corporately are expected to be met from within the Portfolio's approved allocations.
- There will be a need to provide a budget allocation to address corporate pressures.
- Budget options presented to and approved by Council will be integrated into the base budget and be achieved via a range of thematic approaches, owned by the appropriate budget manager.
- Pay Inflationary increases have been based upon local and national experience and are included at 2%.
- Non-Pay Inflationary increases have been based on the Office for National Statistics assumptions and are included at an average of 2.1% with specific allowances for contractual changes
- Pension contributions are based upon the valuation and information provided by the Greater Manchester Pension Fund
- Levy payments are based upon the announcements made by the Greater Manchester Waste Disposal Authority (GMWDA) and the Greater Manchester Combined Authority (GMCA). Changes in the GMWDA levy will be financed in accordance with previous practice from the waste smoothing reserve. No change is assumed for 2016/17 but then a general inflationary increase at 2.7% for GMCA and increases based on indicative information for GMWDA, have been assumed from 2017/18.
- Capital financing interest payable and receivable are based on current market and economic outlook in line with the Treasury Management Strategy

Other Revenue Assumptions

Other major areas that impact on the Medium Term Financial Strategy and the assumptions are outlined below:-

- Collection Fund is assumed to achieve a surplus of £382k in 2015/16 and a balanced position in all future years.
- Pensions and redundancy costs having to be met directly from revenue funds (there will be no capitalisation opportunities).
- The continued use of reserves to compensate for previously approved increases in waste disposal costs ceases after 2018/19.
- General Balances and reserves are managed on a risk based approach as outlined in Statement of the Chief Financial Officer on Reserves, Robustness of the Estimates and Affordability and Prudence of Capital Investments.
- The Housing Revenue Account continues to operate within the self-financing regime for the two PFI schemes and any surplus or deficit is financed via the Housing Revenue Account Reserve.
- The Dedicated Schools Grant (DSG) provides funding for schools and other pupil related services and is a ring-fenced specific grant. For the purposes of the MTFS it is assumed that all eligible expenditure will be met from this grant and any surplus or deficit from schools will be met from their own school balances.
- Funding linked to working with the CCG and around the BCF continues at planned levels
- Ringfenced Public Health Funding continues at expected levels with no burden falling on general Council resources
- A neutral impact from potential changes to the business rates regime arising from the recently announced review
- A neutral impact of the business rates revaluation planned for 2017

2 Analysis

2.1 PESTLE Analysis

In formulating the Medium Term Financial Strategy (MTFS) a review is undertaken of the Political, Economic, Social, Technological, Legal and Legislative and Environmental (PESTLE) issues that may impact on the Council's future revenue position. Annex A details this review and how areas have been identified and have been reflected within the MTFS, if appropriate.

The key items identified and dealt with within the MTFS are :-

- Local Government Finance Act – Retention and growing of Business Rates
- Health and Social Care Act – Public Health transition and Better Care Fund
- Academies Act 2010 and Education Act 2011 – Academy transfers and the impact on grants
- Economic downturn, continuing reduction in the national deficit

2.2 Stakeholder Analysis

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

Key Stakeholder impact analysis

1. Health & Wellbeing

Stakeholder	What potential impact might the Council have on them?	Key Joint Programmes	What potential impact might they have on the Council?	Level of potential influence over the Council	Level of interest in the Council's activity	Risks if they are not engaged
Oldham Clinical Commissioning Group (CCG)	<p>(i) Many services commissioned by the Oldham CCG have direct service delivery links with Oldham Council services - for example, health visitors linked with Children's Centres; Community Matrons with Adult Social Care etc. Any changes to (especially reductions in) the Council services that interact with CCG commissioned services may therefore require matched alterations in the CCG commissioned services to enable the joint offer to continue to be viable</p> <p>(ii) The Council commissions and delivers many services that help</p>	<p>Better Care Fund</p> <p>GM Healthier Together Programme</p>	<p>(i) Conversely, if the CCG changes the commissions for services that link closely with Council services, this may require matched alterations in Council services.</p> <p>(ii) There is the potential for Oldham CCG to choose to invest jointly with the Council (and potentially with Pennine Acute - see below) in supporting preventative services to continue, recognising the health benefits of doing this.</p>	High	High	Council spending reductions are likely to have a much more significant impact on outcomes for residents and the demand residents place on high-cost, reactive public services if we fail to engage effectively on a joint commissioning strategy with

	prevent demand on acute health services. If the Council is forced to cut these preventative services, this may ultimately increase demand on acute health services.					the CCG.
Pennine Acute (Acute Health provider agency)	The Council commissions and delivers many services that help prevent demand on acute health services. If the Council is forced to cut these preventative services, this may ultimately increase demand on acute health services.	GM Healthier Together Programme	There is potential for Pennine Acute, the Council and Oldham CCG to choose to jointly invest in supporting preventative services, recognising the health and social care benefits of doing this.	High	High	As the key commissioners, if the CCG choose to alter their commission, Pennine Acute will be bound to comply. However, their willingness in doing this will make it more likely to succeed.
Pennine Care (Community Health Provider Agency)	Many community health services have direct service delivery links with Oldham Council services - for example, health visitors linked with Children's Centres; Community Matrons with Adult Social Care etc. Any changes to (especially reductions in) the Council services that interact with CCG commissioned services may therefore require matched alterations in the CCG commissioned services to enable	GM Healthier Together Programme	There is potential for the Council and Pennine Care to work closely together to reconfigure services to achieve efficiencies and support residents to be more independent and self-reliant.	High	High	Close working between the Council and Pennine Care will be crucial in enabling us to re-design services locally to reduce demand on high-cost, reactive services.

	the joint offer to continue to be viable.					
Oldham Community Leisure Limited (provider)	OCLL receives the majority of its funding from Oldham Council. The Council's financial decisions may therefore have a direct impact on the OCLL contract value.	Active Oldham	The way OCLL delivers its services has the potential to support the Council's co-operative ethos and to support the move towards encouraging residents to be more independent and self-reliant	High	High	As the key commissioners, if the Council choose to alter their commission, OCLL will be bound to comply. However, their willingness in doing this will make it more likely to succeed.
Positive Steps Oldham (Provider)	PSO receives the majority of its funding from Oldham Council. This Council's financial decisions may therefore have a direct impact on the PSO contract value.		The way PSO delivers its services has the potential to support the Council's co-operative ethos and to support the move towards encouraging residents to be more independent and self-reliant	High	High	As the key commissioners, if the Council choose to alter their commission, PSO will be bound to comply. However, their willingness in doing this will make it more likely to succeed

2. Cooperatives and Neighbourhoods

Stakeholder	What potential impact might the Council have on them?	Key Joint Programmes	What potential impact might they have on the Council?	Level of potential influence over the Council	Level of interest in the Council's activity	Risks if they are not engaged
Housing Providers	The Council provides a range of support to tenants in Social Housing - for example, employment-related support; social care support. If these services are altered, Oldham Housing Investment Partnership (OHIP) members would see a change in the services offered to their tenants.	Cooperative Housing Offer Residential Strategy Coops & Neighbourhoods Cluster	Social Housing Providers have significant influence over their tenants - a joint message supporting independence and self-reliance will increase the likelihood of achieving this objective; conversely, if we do not agree a joint message, there is the potential for us to undermine each other in work with social housing tenants.	Medium	Medium	Failure to agree a joint message may result in activity from both organisations being ineffective.
Greater Manchester Fire & Rescue Service (GMFRS)	The Council commissions and delivers many services that help reduce demand on GMFRS. If the Council is forced to cut these preventative services, this may ultimately increase demand on GMFRS.	Troubled families	If GMFRS can support the Council in identifying people likely to place high demand on GMFRS, and to develop joint interventions to change residents' behaviours to reduce this demand, then this will benefit GMFRS by reducing demand and contribute to overall objectives of increasing residents' independence and self-reliance.	Medium	Medium	Failure to work jointly may result in resources being used ineffectively.

Greater Manchester Police (GMP)	The Council commissions and delivers many services that help reduce demand on GMP. If the Council is forced to cut these preventative services, this may ultimately increase demand on GMP.	Troubled families and Transforming Justice, MASH Coops & Neighbourhoods Cluster	If GMP can support the Council in identifying people likely to place high demand on GMP, and to develop joint interventions to change residents' behaviours to reduce this demand, then this will benefit GMP by reducing demand and contribute to overall objectives of increasing residents' independence and self-reliance.	High	High	Failure to work jointly may result in resources being used ineffectively.
Greater Manchester Probation Service	The Council commissions and delivers many services that help reduce demand on the GM Probation Service. If the Council is forced to cut these preventative services, this may ultimately increase demand on GM Probation.	Transforming Justice	If the GM Probation Service can support the Council in identifying people likely to place high demand on GM Probation, and to develop joint interventions to change residents' behaviours to reduce this demand, then this will benefit GM Probation by reducing demand and contribute to overall objectives of increasing residents' independence and self-reliance.	Medium	Medium	Failure to work jointly may result in resources being used ineffectively
Voluntary Action Oldham (VAO)	The Council's co-operative ethos encourages us to work strongly with the voluntary and community sector to strengthen the community's ability to help themselves. This requires close liaison with the voluntary and community sector - both in terms of support from the Council and in	Society Works Coops & Neighbourhoods Cluster	The Council and VAO are working together to enhance the co-operative ethos. VAO is able to provide advice, support and guidance to those voluntary organisations taking up the challenge and working collaboratively with the Council	Medium	High	Failure to work jointly may result in resources being used ineffectively.

	terms of the shape of the services offered through the voluntary and community sector, and how they relate to public sector services.					
Oldham Citizens Advice Bureau	CAB provides a vital advice and support service to the borough. The impact of cuts across the public sector is likely to have an impact on the demand for CAB services. In addition CAB do receive grant funding from Oldham Council		A reduction in CAB activity could mean residents don't have advice and support on a wide range of issues.	Medium		Failure to engage could have reputational impact

3. Economy & Skills

Stakeholder Economy & Skills	What potential impact might the Council have on them?	Key Joint Programmes	What potential impact might they have on the Council?	Level of potential influence over the Council	Level of interest in the Council's activity	Risks if they are not engaged
Education providers: Oldham Primary Heads, Oldham Secondary Heads, Oldham College & Oldham Sixth Form College	<p>The Council commissions and provides a range of services that dovetail with those provided in formal education providers. For example, Lifelong Learning, the Wellbeing Service, Connexions service. Changes to these services may result in a need to reconfigure the links between the services and the education providers.</p>	<p>Oldham Co-operative Learning Partnership</p> <p>Oldham Education Commission</p> <p>Education & Skills Cluster</p>	<p>Education providers have significant influence over the life skills and employability skills of people accessing training with them. This goes beyond academic qualifications. A common ethos supporting the co-operative ambition and encouraging independence and self-reliance could therefore influence changing behaviours across this group of people, potentially reducing their demand on Council (and other public sector) services.</p>	<p>Medium</p>	<p>High</p>	<p>Failure to engage could disjoint education and skills from wider work areas.</p>
Job Centre Plus (JCP)	<p>One of the Council's key priorities is to support people into employment through Get Oldham Working. The relationship with Job Centre Plus is crucial in the success of this endeavour. In addition, JCP are likely to be direct beneficiaries of the success of the Get Oldham Working programme.</p>	<p>Get Oldham Working</p>	<p>There is a strong synergy between the work of Job Centre Plus and the Council around its Get Oldham Working and other employment initiatives. By working with the Council joint objectives around improving the employability of Oldham residents can be delivered</p>	<p>Medium</p>		<p>Failure to work jointly may result in resources being used ineffectively.</p>

Oldham Business Leaders Group	The group of business leaders are key in enabling business start-ups and enterprise and may benefit from any business start up/youth enterprise funding.	Youth Enterprise GM LEP Education & Skills Cluster	Potential impact in terms of influence and engagement with business and securing investment	Low to Medium	Low to Medium	Failure to work jointly has reputational impact
Department of Work and Pensions	The DWP is a key potential beneficiary if Oldham's focus on supporting people into employment is successful - we will reduce the numbers of people on benefits considerably if we meet our targets. Conversely, if the project is unsuccessful due to the need to make cuts in preventative services, DWP may experience increased costs from higher numbers of unemployed people. This is reflected in GM analysis showing that total public spend in GM has remained static 2008-present because DWP spend has increased as spend in proactive services has reduced.	Get Oldham Working Education & Skills Cluster	There is the potential for DWP to choose to invest jointly with the Council in supporting Get Oldham Working, recognising the financial benefits of doing this. This could build on the Work Programme Leavers-type financial arrangements being trialed with GM.	Medium	Medium	Council spending reductions are likely to have a much more significant impact on outcomes for residents and the demand residents place on the welfare system if we fail to engage effectively on a joint approach to funding programmes to support people into work.

4. Commercial/Wider

Stakeholder	What potential impact might the Council have on them?	Key Joint Programmes	What potential impact might they have on the Council?	Level of potential influence over the Council	Level of interest in the Council's activity	Risks if they are not engaged
Economy & Skills						
Department of Communities and Local Government (DCLG)	The Council received funding and policy direction from DCLG. Softer implications relate to how willing they are to support the Council (via GM) in negotiations with other Government departments, especially DWP.	DCLG Transformation Fund	Ability to influence funding settlement for Local Government politically and influence of Oldham at the Local Government Association (LGA).	Medium	Low	Engagement is useful in terms of drawing down funding and resource
The Association of Greater Manchester Authorities (AGMA)/GMCA	Oldham plays a positive role within AGMA in key areas where it leads for example Public Sector Reform (PSR), transport and environment and is successful in drawing down funding from the city region.	PSR pilots GM LEP	As powers to AGMA increase AGMA and GMCA will impact further on councils activity particularly in PSR, skills and housing.	High	Medium	Failure to play positive role within AGMA may result in loss of resources and influence
Unity (Strategic Service Delivery Partner)	Funded by Oldham Council		In providing operational and strategic support on key services. This partnership can provide support, advice and guidance to the Council on the delivery of efficiencies and reducing costs.	High	High	Failure to work jointly may result in resources being used ineffectively and savings proposals not being achieved.

2.3 Non-Financial Information

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

Corporate Plan and Oldham Plan

A revised and updated Corporate Plan is currently being prepared. This sets out our ambition and objectives over the period 2015/16 to 2017/18. Clearly the Plan can only be achieved by linking to the objectives to the resources available to the Council. This is much easier to align over a shorter timeframe where financial forecasts can be prepared with more certainty. The overarching ambition is to deliver a co-operative future, where everyone does their bit to create a confident and ambitious borough.

With its three corporate objectives the Council will focus its activity 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

Similarly, a refreshed Oldham Plan is also being prepared which aligns the plans of the Council to other key organisations. It moves beyond individual organisations and institutions to create a shared vision for the borough and Oldham residents with the aim of making Oldham 'a place of ambition where people and communities flourish.

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

Co-operative Borough

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

- Launching of the Fair Employment Charter to secure better employment conditions for Oldham residents.
- Developing the blueprint for further embedding co-operative working across all services, identifying how we can make a co-operative difference in all that we do.
- Launching the Co-operative Customer Service Standards which will start to shift customer expectation and priorities, emphasising resilience and self-help.
- Introducing a Green Dividend which will fund new allotments and tree planting projects.

People Strategy

Our overarching People Strategy is regularly reviewed and developed around 4 themes that focus on organisation design, building organisational capability, working towards being an employer of choice and our people infrastructure (people policies and processes) all of which are aligned to our cooperative ambition and underpinned by our cooperatives values and behaviours.

Capital Strategy

The Capital Strategy provides a framework within which the Council's Capital Investment plans will be delivered. These plans are driven by the Council's Corporate Plan. The Capital Strategy has been prepared to take account of the ambition for the borough including major regeneration developments such as the Old Town Hall and redesign of the Leisure Estate, to ensure that new school buildings and extensions are delivered as well as ensuring that the highways network and corporate estate are adequately maintained

Treasury Management Strategy

Treasury management is defined as "The management of the local authority's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks."

The Strategy for 2015/16 highlights the Council's position in relation to prudential indicators arising from the capital strategy and also sets out the Minimum Revenue Provision (MRP) Policy Statement. It also highlights

- The Current Treasury Position
- Treasury Indicators for the three years 2015/16 to 2017/18
- The Borrowing Requirement
- Prospects for Interest Rates
- The Borrowing Strategy
- Policy on Borrowing in Advance of Need
- Debt Rescheduling
- The Investment Strategy
- Creditworthiness Policy
- Policy on use of external service providers

The strategy therefore determines how the Council makes the most efficient use of its cash resources by the careful management of borrowing and investments.

Medium Term Property Strategy (MTPS)

The Medium Term Property Strategy (MTPS) (formerly the Asset Management Plan) sets out a framework for strategic management of the Council's land and property portfolio, reflecting corporate priorities, aims and objectives and driving transformational change in service

delivery. Aligned to individual service priorities, individual schemes are included within approved capital spending plans or are to be considered for a resource allocation over the period of the capital strategy.

The Council is currently reviewing the structure of the property function and anticipates making further changes which will improve the way in which the strategic property objectives can be delivered. This will enable the Council to accelerate progress and realise benefits within a shorter timeframe, whilst maximising regeneration and inward investment opportunities.

Procurement

The Procurement Policy of the Council is about getting the most value from every pound spent from the public purse in Oldham. In a challenging economic environment where local public services are facing unprecedented reductions in their spending power, it is imperative that we go beyond our conventional way of thinking about value for money by considering how can secure the greatest possible social, economic and environmental benefit from our purchasing power.

Housing Strategy

The Council is currently reviewing and consulting on its Housing Strategy, with a view to a new Oldham Housing Strategy 2015 -18, being approved by the end of March 2015.

The emerging themes of the new Strategy are in relation to –

- Residential Growth
- Healthy Homes
- Improving Neighbourhoods
- Building Stronger Communities

The new strategy will provide a framework to support other housing themed delivery plans relating to issues such as homelessness, residential development, private sector housing and affordable warmth. It also links in to other key council initiatives such as 'Invest in Oldham' and 'Get Oldham Working'.

Public Service Reform

Greater Manchester was one of four areas nationally to pilot Community Budgets. Over the past year, the lessons from the pilot work have been incorporated into a wider approach to public service reform in Greater Manchester.

Within this Greater Manchester context, Oldham's approach to Public Service Reform (PSR) is focused on developing a model of services that are centred around a "place" and applying the cooperative values and principles to improve residents' self-reliance and resilience and reduce their need for public services.

To date, this has focused on work with troubled families and households with complex dependencies. Following a number of pilots (including the Family Focus Teams and Project

Solution, a joint project with Greater Manchester Police to reduce demand on the police), we have used the learning to develop an Early Help Offer, designed to intervene at the earliest possible point across a range of complex dependencies; understand the root cause of problems; and provide support to individuals and families to give them the skills to address these problems.

The Early Help Offer will reach around 3,500 households on a 1:1 basis and around another 4,000 through group-work and one-off appointments. It establishes a new delivery model for people with complex dependencies that reflects a person – and family-centred approach that provides interventions at the earliest possible opportunity. The approach builds on positive aspects and looks to strengthen resilience rather than solely focusing on needs and problems. The proposed approach recognises the complexities and vulnerability of individuals and families which do not fit neatly into single service offers around issues relating to mental health, drugs and alcohol, housing or parenting. The arrangements for implementing the Early Help offer are well advanced and on track to start delivery from 1st April 2015.

In parallel with implementing the Early Help Offer, we are also now exploring opportunities for applying the learning gained from this work to additional areas of activity, to further embed the ambition of a place-based approach to reform throughout the work.

Strategic Financial Management

As part of the finance transformation programme, which aims to deliver a high class financial service that will of itself greatly assist in the robustness of the MTFs, finance has brought about well documented improvements in a number of areas. These include planning for a two year budget cycle, early closure of the accounts, reduction in debtors, undertaking all Fundamental Financial Systems (FFS) audits for external audit and working with managers on risks identified, greatly improved staff development and training, project management skills for all key staff among others

A key recent development is Self Service Transformation (SST) Programme which aims to improve systems and the way we work with a particular focus on Finance and People Services and embedding self-service in front line services. The programme will see the upgrade of the Finance Agresso system and the Peoples Services HR & Payroll system moving from Vision to an integrated Agresso system with Finance. This will result in a more efficient and intuitive system facilitating the take up of self service in line with the Councils efficiency agenda. The Programme will also address wider business transformation issues, looking at improvements to policies and procedures, management information and helping to create greater front line ownership of finance, HR etc. The programme will also ensure lean processes throughout.

3 The Councils Budget Challenge

Oldham is well positioned to be able to adapt and adjust to meet some of the new 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 recognised through the Most Improved Council award in March 2012. The improvement journey has also provided a firm base from which to reposition the Council. 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 more of a commissioner.

3.1 2014/15 Updated Position

The 2014/15 budget was approved by Council at the 5 March February 2014 Council meeting where it agreed a net revenue budget of £215.532m. This included a savings target of £23.004m to be achieved in the 2014/15 financial year. The net revenue budget changed during the year due to a number of factors including the amendment to existing allocation of the Central Education Support Services Grant plus the allocation of one off additional resources during the 2014/15 financial year and the technical adjustments for capital grants. In addition there is a further adjustment for the use of reserves of £672k. This had the effect of changing the funding profile of the 2014/15 budget and increasing the net revenue budget of the Council to £222.428m. Table 1 shows the position from the base to the updated net revenue position.

Table 1

2014/15 Revised Budget Position	£m	£m
Net Revenue Budget as at 5th March Report		215.532
One off Adjustments - Grant Income		
- 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	
Amendments to existing allocations 2014/15		
- Central Education Support Grant Reduction	(0.289)	
Technical Accounting Adjustment 2014/15 only		
- Capital Grants	2.535	
		6.224
Use of Reserves		0.672
Total Revised Net Revenue Budget		222.428

3.2 2015/16 Forecast Revenue Position

The 2015/16 budget is being presented to Council with a proposed net revenue budget of £195.800m. This includes savings of £35.229m. A range of options have been prepared to bridge this gap. The December 17th Council meeting approved, £27.471m of savings and the balance of £7.758m were noted. The balance, for approval within the Budget Report elsewhere on this agenda, has been scrutinised at the Overview and Scrutiny Performance and Value for Money (PVFM) Select Committee on 22nd January 2015 and approved at Cabinet on 16th February 2015. The position has changed from December where a net revenue budget of £192.277m was presented.

Following the receipt of the Final Local Government Settlement, related Government grant funding notifications, confirmation of the calculation of the Council Tax Base, Business Rates Tax Base, Collection Fund surplus and the review of business rates grants, the net revenue budget baseline for 2015/16 has changed from £192.277m by £3.523m to £195.800m. Table 2 below details the movements in funding.

Table 2

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
TOTAL CHANGE TO COUNCIL RESOURCES AVAILABLE	192.046	195.561	3.515
Parish Precept – Ringfenced to Parishes	0.231	0.239	0.008
TOTAL CHANGE TO BUDGET	192.277	195.800	3.523

As a result of the changes, additional resources of £3.515m are available to the Council to address priority issues. This has allowed a revision to savings proposal D040 Review of District Arrangements and it has been reduced by £0.120m requiring some of the additional resources to be used to compensate for this change. A review has therefore taken place which identifies the use of the remaining additional resource as illustrated below.

- new burdens arising from Central Government allocation of new responsibilities – match of budget pressure to funding allocation (Local ringfencing of funding has already been agreed for these issues) at £1.248m
- additional expenditure pressures of £2.147m

Table 3

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

Taking all the issues into account, the revised 2015/16 budget is presented in table 4 below

Table 4 2015/16 Net Revenue Budget	2015/16 £m
Prior Year Net Revenue Budget (2014/15)	222.428
Less one year adjustments in 2014/15	(6.224)
Less adjustment to Base Budget – Levy	(0.477)
Revised Base Position	215.727
Expenditure Pressures:	
- 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)
Total Expenditure	195.800
Funded By:	
- 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
Total Government Grant Funding	90.934
- Retained Business Rates	27.674
- Council Tax Income	74.123
- Income Related Budget Proposals	2.687
- Collection Fund Surplus	0.382
Revised Budget Funding	195.800

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

For clarity, Table 5 also shows that total savings of £35.229m are split between those that reduce the net revenue expenditure of the Council and those which increase the funding available.

Table 5 Savings through Transformation	2015/16 £m
Funding Gap	35.229
Savings through Transformation	-32.542
Income through Transformation	-2.687
Total Expenditure Pressures	0.000

3.3 2016/17 to 2019/20 Forecast Revenue Position

In order to provide a financial projection covering the five year period of the MTFs, in addition to the projection for 2015/16 highlighted above, estimates have been prepared for the four years 2016/17 to 2019/20.

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 some of the expenditure pressures as detailed. As £9.398m of savings have already been identified the budget gap to be addressed has risen from £15.698m to £20.091m.

Table 6

Expenditure Pressures:	Initial Estimate £m	Revised Estimate £m	Change £m
- 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 Council Tax	0.000	2.147	2.147
Overall Change	3.822	8.215	4.393

As previously indicated, the lack of indicative Settlement figures for 2016/17 makes projections more uncertain and this uncertainty increases the further into the future that projections are made. The 2017/18 net revenue budget is estimated using calculations based on the key assumptions in section 1.4 at £164.673m (savings required of £29.302) reducing to £157.772m by 2019/20 (savings required £7.078m).

Table 7 below details the assumed financial pressures, grants and Council Tax and NNDR level for 2016/17 to 2019/20.

Table 7

Estimated revenue position 2016/17 to 2017/18	2016/17 £m	2017/18 £m	2018/19 £m	2019/20 £m
Prior Year Net Revenue Budget	195.800	179.227 *	164.673	156.047
Expenditure Pressures:				
- Pensions	0.263	0.346	0.346	0.346
- Pay Award	1.717	1.753	1.787	1.822
- Inflation	3.818	3.774	3.851	3.929
- Investment Fund	1.055	0.923	0.000	0.000
- Business Plan	1.500	0.500	0.500	0.500
- Levies	0.000	1.544	1.623	1.706
- Increase in NI Changes	2.363	2.363	0.000	0.000
- End of Change to Terms and Conditions	0.000	2.515	0.000	0.000
- Fair Employment Charter	0.600	1.030	1.240	0.000
- Use of Reserves ceases	0.000	0.000	0.000	0.500
Total Expenditure	207.116	193.975	174.020	164.850
Funded By:				
- Business Rates Top Up	30.587	31.198	31.822	32.459
- Revenue Support Grant	33.276	20.475	10.475	10.475
- Housing Benefit and Council Tax Administration	1.378	1.241	1.116	1.005
- Council Tax Freeze Grant	1.790	0.000	0.000	0.000
- Central Education Support Grant	2.266	2.111	1.900	1.710
- New Homes Bonus	2.000	1.500	1.115	1.004
- Multiplier Cap	0.641	0.000	0.000	0.000
- Adults Social Care	0.585	0.000	0.000	0.000
Total Government Grant Funding	72.523	56.525	46.428	46.653
- Retained Business Rates	29.980	30.680	30.680	30.680
- Council Tax Income	75.124	77.468	78.939	80.439
Revised Budget Funding	177.627	164.673	156.047	157.772
Net Gap/Savings Requirement	29.489	29.302	17.973	7.078
Less Savings Already identified	-9.398			
Savings Yet to Find	20.091			

*2017/18 Prior Year Revenue Budget adjusted to reflect that £1.600m within the identified savings of £9.398m, increase the funding of the budget rather than reduce expenditure.

The information included in Table 7 shows the assumed expenditure pressures and financing. Due to the issues outlined below, these estimates will be revised quarterly and will be updated as outlined in section 4:

- volatility in central government grant funding;
- changes in public sector delivery of services i.e. NHS/Public Health/Local Authority joint working;
- impact of Public Service Reform;
- partnership working with other public sector organisations and AGMA Authorities;
- transfer of risk around the collection of Business Rates
- potential changes to the business rates regime arising from the recently announced review
- business rates revaluation planned for 2017
- Council Tax collection levels

In meeting the budget challenge for 2016/17 and future years, the approach and core principles that have been developed will be used as a framework. These are:

- Focussing on our purpose, delivering social value and maximum impact within the financial resources available
- Challenging all areas of the Council
- Working with partners as a Cooperative Borough – with shared aspirations for people and places
- Exploring different delivery and funding models
- Taking a 5 year view on investment and prevention

Working in themes to identify savings will continue but the theme groups have changed to reflect the Commissioning Clusters that are being pioneered as a new place leadership model. These are:-

1. Economy & Skills Cluster
2. Health & Wellbeing Cluster
3. Cooperatives & Neighbourhoods Cluster

With the addition of a fourth cluster for budget setting purposes of:

4. Corporate, Commercial and other central services

These work streams are established to challenge the current delivery models and identify the future service provision that is available within the financial resources. The work streams are also to analyse and review the value of commissioned and procured services, in order to maximise value of the contract and develop a system of penalties for non-delivery.

Future service delivery models and proposals that have been identified by the work streams will be subject to a series of challenge sessions to ensure their fit with corporate priorities and the future vision for the Council.

3.4 Forecast Capital Programme and Financing

Included within this agenda is the capital strategy for 2015/16 to 2019/20 and thereby the proposed 2015/16 capital programme including identified capital investment priorities, together with the indicative programme for 2015/20, having regard to the resources available for the five year life of the programme.

The Councils Capital Strategy and Programme are set over a five year timeframe. The proposed Capital Strategy and Programme for 2015/16 to 2019/20 take the essential elements of the previous year's strategies and programmes and moves them forward in the context of the financial and political environment for 2015/16. Also addressed are the issues arising from the priorities determined when the Councils investment programme that was approved in July 2012 and subsequent priority investment decisions.

Over recent years, Government grant funding for capital expenditure has generally been reducing as a result of the austerity agenda, however the downward trend in funding was stemmed during 2013/14 when the Council was successful in its bid for Targeted Basic need (TBN) grant, a Government initiative to fund a two year programme to address the increasing pressure on school places. The level of Government resources seen in the last few years remains buoyant with a number of grants having been announced in 2014/15 and more latterly in January and February 2015. The main source of grant income remains education related with the receipt of Formulaic Basic Need funding totalling £26.15m for the period 2015/16 to 2017/18 together with the remainder of the Targeted Basic Need funding of £2.868m now being applied in 2015/16. Further education related grants in the form of School Condition Allocation grant; £5.565m for the period 2015/16 to 2017/18 and Devolved Formula Capital of £452k in 2015/16 have been confirmed. The Council will also receive a grant allocation under the second phase of the Priority Schools Build Programme for Royton and Crompton school, the final amount is awaiting confirmation. In addition highways maintenance funding of £2.453m has been confirmed for 2015/16.

The table below sets out the current proposed capital programme for 2015/16 to 2019/20.

Table 8 – Proposed Capital Programme

Proposed Capital Spending	2015/16 £000	2016/17 £000	2017/18 £000	2018/19 £000	2019/20 £000
Neighbourhoods	7,812	3,051	2,380	2,173	2,173
Commissioning	1,950	400	400	400	400
Commercial Services	19,058	10,466	17,840	680	680
Development and Infrastructure	61,824	37,272	8,685	0	0
Deputy Chief Executive/ Corporate	0	0	0	0	0
Total Expenditure	90,644	51,189	29,305	3,253	3,253
Total Funding	(88,144)	(53,683)	(29,311)	(3,253)	(3,253)
Balance of Resources available by year – Over/(Under) programming	2,500	(2,494)	(6)	0	0
Cumulative balance of resources – Over/(Under)	2,500	6	(0)	(0)	(0)

The revenue impact of the prudential borrowing elements financing the capital programme has been fully budgeted for in the MTFs and is included in the baseline revenue budget.

3.5 Treasury Management

The Treasury Management Strategy is part of the suite of reports submitted with this agenda.

Statutory Requirements

The Local Government Act 2003 and supporting regulations requires the Council to 'have regard to' the Prudential Code and to set Prudential Indicators for the next three years to ensure that the Council's capital investment plans are affordable, prudent and sustainable'. The Act therefore requires the Council to set out its Treasury Strategy for borrowing and to prepare an Annual Investment Strategy. This sets out the Council's policies for managing its investments and for giving priority to the security and liquidity of those investments.

CIPFA Requirements

The Council has adopted the Revised CIPFA Code of Practice on Treasury Management 2011. The primary requirements of the code are as follows:

- Creation and maintenance of a Treasury Management Policy Statement which sets out the policies and objectives of the Council's Treasury Management activities
- Creation and maintenance of Treasury Management Practices which set out the manner in which the Council will seek to achieve those policies and objectives
- Receipt by the full Council of an annual Treasury Management Strategy Statement - including the Annual Investment Strategy and Minimum Revenue Provision Policy - for the year ahead, a Mid-year Review Report and an Annual Report (stewardship report) covering activities during the previous year
- Delegation by the Council of responsibilities for implementing and monitoring Treasury Management Policies and Practices and for the execution and administration of treasury management decisions. In Oldham, this responsibility is delegated to the Borough Treasurer
- Delegation by the Council of the role of scrutiny of treasury management strategy and policies to a specific named body. In Oldham, the delegated body is Audit Committee.

As with the Capital Strategy and Programme the revenue implications of the Treasury Management Strategy has been fully budgeted for in the MTFs and is included in the baseline revenue budget.

4 Reporting Framework including when and how changes will be reported

At present, the Medium Term Financial Strategy is approved by Full Council on annual basis. As the world in which we operate is becoming more volatile and more risk is being transferred to the Council, it is proposed that from 2015/16 there will be a quarterly refresh of the projections.

It is also envisaged that on a monthly basis any minor amendments will be reported within the Revenue Monitoring Report. These amendments are likely to revolve around cross- portfolio transfers of budgets.

The quarterly refresh will review all the major elements of the strategy including the PESTLE analysis, and the financial assumptions as well bringing in any Central Government announcements and legislation changes which have a financial impact. It will also allow the strategy to be amended for any emerging local issues or priorities.

5 Financial Resilience

In order to monitor the present and future financial risks the Council a Finance Risk Register is prepared and updated on a regular basis. This highlights that in future financial years the on-going challenge to the Council in delivering a balanced budget are getting more difficult as the amount of year on year central government funding to support on-going expenditure reduces.

In order to support the production of the Annual Budget to the Council has adopted a system of assessing the annual level of general balances on the basis of risk that it requires at the beginning of the financial year. This is a key process in ensuring that the Council both has a contingency to meet unforeseen or unplanned costs including the non-delivery of efficiency savings and the council is financially resilient. This MTFS assumes that the Council delivers its savings targets. Failure to do this in any one financial year will result in the required savings for a future year increasing as the Council must demonstrate that it is financially resilient each financial year.

The closure of the accounts is a key process whereby the Council manages its risks to minimise future unplanned expenditure by considering whether any of these risks have a certain financial liability or a potential future financial impact (Contingent Liability). An early closure of the accounts enables the council to obtain its financial out-turn promptly which determines whether any problems have to be addressed in the new financial year. At the point when the accounts are closed there is a requirement on the council to set aside appropriate resources to meet known financial liabilities.

Financial Resilience of the Council

In order to demonstrate that the Council can continue to operate on an on-going basis it needs to demonstrate that it is financially resilient at a point in time. Essentially this means ensuring it can continue to fund its day to day business. It does this by:

- Delivering a balanced budget year on year and tackling areas of overspend to ensure the problem is managed in year and in the long term.
- Maintaining a level of appropriate general balances assessed on the basis of financial risk and earmarked reserves to meet known commitments.
- Closing its accounts in a prompt manner to determine its out-turn and give the Council more time to address any overspends in the new financial year.
- Undertaking financial decisions in accordance with council's processes to ensure that risk is highlighted in advance of the decision being taken and the impacts are clear to decision makers.
- Releasing reserves to support the budget in a controlled manner.

Should the Council find itself in a position where it is not financially resilient it will need to increase its savings targets to build up funds to become financially sustainable.

The general financial resilience of the Council is supported by the availability of reserves. The Council's reserves are regularly reviewed and will be utilised to support the budget setting process as required.

6 CONCLUSION

After allowing for the use of grant funding in 2015/16, funding pressures and the impact of the Local Government Financial Settlement, it is considered that the Council is able to approve a balanced budget for 2015/16. The anticipated net budget gap for 2016/17 is £29.489m with £20.091m of savings yet to be identified. The gap for 2017/18 is estimated to be a further £29.302m.

Given the level of change in the recent Local Government Financial Settlements and the impending General Election in 2015, the position for years beyond 2015/16 is hard to predict with any certainty.

The potential budget gap in future years will be largely dependent on the amount of Revenue Support Grant (RSG) (or its replacement) and other grants (e.g. Central Education Support Grant, NHS funding to support social care) received from Central Government. Whilst the Council is able to generate additional Business Rates and Council Tax through building the respective tax bases, the level of expected increase is significantly below the level of reduced Government funding.

The Council will therefore have to address the future financial challenges innovatively, increasingly working in collaboration and partnership but also in alignment with its cooperative ethos.