
Report to Cabinet

Revenue Budget 2020/21 and Medium Term Financial Strategy 2020/21 to 2024/25

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Reason for Decision

To provide Cabinet with the forecast budget reduction requirement and the Administration's budget proposals for 2020/21 together with forecast budget reduction requirement estimates for the period 2021/22 to 2024/25 having regard to the Provisional Local Government Finance Settlement published on 20 December 2019.

Executive Summary

This report sets out proposals for the Council's Revenue Budget for 2020/21 and Medium Term Financial Strategy for 2020/21 to 2024/25. The report advises Members of the key financial challenges and issues which will be faced by the Council over the forecast period and sets out the Administration's revenue budget proposals for 2020/21 together with updated budget reduction requirement estimates for the period 2021/22 to 2024/25.

The report presents the purpose and scope of the Medium Term Financial Strategy and how it has a vital role to play in enabling the translation of the Council's ambition and priorities into action.

It also advises of the national policy landscape and economic context in which the Council is setting its revenue budget for 2020/21 and Medium Term Financial Strategy to 2024/25.

Section 4 highlights the local strategies and policies relevant to the Medium Term Financial Strategy including the Oldham Plan and Corporate Plan, Financial Policies and Strategies

as well as other major strategies which have an influence on the allocation of Council resources.

Developments in Local Government Finance are included at Section 5 incorporating the newly released Financial Management Code together with a commentary on the Council's financial resilience.

The report also highlights policy announcements and implications arising from the Government's 2019 Spending Round presented on 4 September 2019, the Local Government Finance Settlement 2020/21 Technical Consultation and the Provisional Local Government Finance Settlement (LGFS) published on 20 December 2019.

Key adjustments to funding confirmed in the 2020/21 Provisional LGFS were:

- An increase in expected Core Government Funding over previous estimates of £6.664m (estimates assumed the continuation of austerity);
- An additional £10.596m of Government Grants over and above the expected level - primarily the continuation of previously time limited Improved Better Care Fund and Winter Pressures Grants (totalling £2.708m) and the 2020/21 Social Care Support Grant (£6.954m).

The Provisional LGFS confirmed referendum limits for a general purpose Council Tax increase and the Government will permit rises of up to 2% per annum for 2020/21 without the need to hold a referendum.

The Government also confirmed the continued ability to charge an Adult Social Care Precept allowing up to a 2% increase in Council Tax for 2020/21 (ringfenced for use for Adult Social Care).

The Council Tax referendum limits for 2020/21 applicable to the Council therefore allow an overall increase of 4%.

Members will recall that the Council Tax policy approved within the 2019/20 budget was that for 2020/21, the previous policy would continue. The Council would therefore increase Council Tax by 2% for the Adult Social Care Precept (ASCP) and 1.99% for general purposes; an overall increase of 3.99%. The capping criteria for 2020/21 as advised at above would permit this approach however, mindful of the financial position of the Authority but also the impact of a further increase in Council Tax on the citizens of Oldham, a revision to Council Tax policy is therefore proposed. Whilst the 2% increase in relation to the ASCP will continue, Council Tax for general purposes will increase by 0.99% rather than 1.99%. In overall terms the Oldham Council Tax will increase by 2.99%. This is of course subject to confirmation at Budget Council on 26 February 2020.

The Government proposes not to set Council Tax referendum principles for Mayoral Combined Authorities in 2020/21 but has set referendum principles for Police and Crime Commissioners (including the GM Mayor). These were provided alongside the Police Funding Settlement on 22 January 2020 and the Government has given Police and Crime Commissioners the flexibility to increase funding by setting the Council Tax referendum limit to £10 for a Band D property.

An increase of £14 is being proposed by the Mayor for the Mayoral General Precept (which includes Fire and Rescue Services) and an increase of £10 is being proposed for the GM Police and Crime Commissioner precept. An increase of up to £24 is being consulted upon.

The starting point for preparing the 2020/21 revenue budget estimates is the Month 8 2019/20 revenue budget forecast outturn position presented elsewhere on the agenda and summarised in Section 8. It highlights a current adverse projected variance for 2019/20 of £1.367m but advises that it is expected that at the year end at least a balanced position will be achieved.

Section 9 of the report details key budget adjustments and expenditure pressures underpinning the forecasts that provide the backdrop for the Council's Medium Term Financial Strategy. Key expenditure adjustments include:

- £0.871m for 2020/21 increased expenditure items (Approved 27 February 2019);
- £4.695m for expenditure pressures identified through the 2019/20 Revenue Monitoring Process;
- £5.680m of new pressures for 2020/21 including Pay Inflation (£1.800m), Pension Costs (£1.000m) and Contractual & Service Inflation (£1.650m);
- £2.190m of new funding passported directly to the service (primarily the Adult Social Care Precept at a value of £1.987m); and
- £3.235m of invest to save initiatives consisting of the Early Intervention and Prevention Service (£1.555m), Implementation of the Transformation Agenda (£0.930m) and Creating a Better Place (£0.750m).

Based on the latest estimates, the budget reduction requirement for 2020/21 has decreased from the previously reported figure of £22.871m to £18.169m.

Section 10 of the report details the Administration's budget reduction proposals. There are a total of seven proposals expected to deliver savings of £3.011m in 2020/21. If approved in full, these proposals further reduce the budget reduction requirement to £15.158m for 2020/21.

Sections 11 and 12 explain the approach to balancing the 2020/21 budget. In order to remove the requirement for further spending reductions, it is proposed to part finance the 2020/21 budget by using the opportunities provided by the ability to use Capital Receipts to support spending on transformational projects up to a value of £3.750m and from an available Collection Fund Surplus of £1.400m. A number of specific and corporate reserves will be used to address the balance as follows:

- £1.413m from gains anticipated in 2019/20 from the Greater Manchester 100% Business Rates Retention Pilot Scheme;
- £1.300m of further benefit made available by the GMCA from the Greater Manchester 100% Business Rates Retention Pilot Scheme in 2019/20;
- £3.113m from reserves relating to a refund of the 2019/20 Waste Levy; and
- £4.182m from Corporate Reserves.

Approval of the proposals set out in this report in full by Budget Council would deliver a balanced revenue budget for 2020/21. The budget reduction requirement for subsequent years is forecast to be £23.243m for 2021/22, £13.016m for 2022/23, £13.568m for 2023/24 and £12.921m for 2024/25.

Other key sections in the report:

- summarise the forecast reserves and balances position supporting the Council's financial resilience;
- set out the Administration's proposals in relation to Fees and Charges; and
- detail the Council's Pay Policy Statement (as required by sections 38 to 43 of the Localism Act 2011).

It is important to note that as the Government has only provided grant funding notifications for 2020/21, the MTFS estimates for 2021/22 to 2024/25 are based on a series of assumptions and therefore must be considered indicative at this stage. This has generated significant uncertainty and hinders effective planning by the Council both financially and operationally as future Government funding intentions are difficult to assess. This position, together with the transformational and organisational plans for change that the Council will implement to address the financial challenge are outlined in Section 17 of the report.

The MTFS highlights the plan to deliver significant savings from 2021/22 onwards. Whilst it is anticipated that the Council will continue to rely on the use of reserves to support its budget setting processes until 2023/24 this will be gradually phased down as the change programmes gather momentum and sustainable budget reductions are identified.

The Revenue Budget 2020/21 and Medium Term Financial Strategy 2020/21 to 2024/25 was presented to the Overview and Scrutiny PVFM Select Committee for consultation and scrutiny on 23 January 2020. The Select Committee scrutinised the budget report and the other reports on the agenda that form a core part of the Council's strategic planning framework. The Select Committee was content to commend the report to Cabinet without additional comment.

It is important to note that the report and financial information within it will continue to be revised as estimates are confirmed and external funding or charging notifications are received. The Final Local Government Finance Settlement is still awaited and may result in a revision to Government funding allocations.

Recommendations

That Cabinet approves and commends to Council:

- 1 The policy landscape and economic context in which the Council is setting its revenue budget for 2020/21 and Medium Term Financial Strategy to 2024/25;
- 2 The impact of Oldham Council Policies and Strategies on the Council's budget setting process and the development of its Medium Term Financial Strategy;
- 3 The financial forecasts for 2020/21 to 2024/25 having regard to the Provisional Local Government Finance Settlement and associated funding announcements;
- 4 The key issues to be addressed in continuing to respond to the financial challenges facing the Council;
- 5 The 2020/21 Budget Reduction Proposals at a value of £3.011m;
- 6 The proposed use of £5.826m of reserves for specific purposes and £4.182m of corporate reserves to balance the 2020/21 budget;
- 7 The fees and charges schedule included at Appendix 7;
- 8 A proposed Council Tax increase of 2.99% for Oldham Council services resulting in the charges set out at paragraph 15.3 and Table 29 of the report and in detail at Appendix 8;
- 9 The proposal to draw on the Collection Fund for major preceptors of £113.271m for Borough Wide services and £96.466m for Council services;
- 10 The proposed budget for 2020/21 for the Council set at £233.512m; and
- 11 Revised estimated budget reduction targets of £23.243m for 2021/22, £13.016m for 2022/23, £13.568m for 2023/24 and £12.921m for 2024/25.
- 12 The pay policy statement included at Appendix 12;

Revenue Budget 2020/21 and Medium Term Financial Strategy 2020/21 to 2024/25**1 Background**

- 1.1 Each year, the Council identifies what it needs to spend on Council services for the following year as part of the budget setting process. This process also involves the identification of provisional spending plans for future financial years. This ensures the Council's future spending plans are balanced against the funding forecasts for Government Grants, Council Tax and Business Rates revenues. These plans form part of the Council's Medium Term Financial Strategy (MTFS). This report advises Members of the latest financial position having regard to the current policy landscape and economic context. The MTFS also takes account of the Provisional Local Government Finance Settlement (LGFS) published on 20 December 2019 (the Final Settlement is still awaited), associated funding announcements and the Administration's proposals for balancing the 2020/21 budget, including Council Tax intentions.
- 1.2 The MTFS is designed to build on the work and achievements of previous years and to help meet the challenges of the future. It is one of the key strategic plans of the Council. This report sets out the Council's proposed revenue spending plans for 2020/21 together with the four years to 2024/25 and the key factors which will influence the financial forecasts.
- 1.3 At the same time as considering the financial challenges facing the Council, it is important to consider the Council's commitment to the co-operative way of working. Based on a set of values and the principle of enabling and motivating everyone to "do their bit", this influences the policy direction of the Council and its response to the financial challenges.
- 1.4 As an organisation, a co-operative approach provides the opportunity to find positive and sustainable solutions to the on-going financial challenges being faced. Oldham has a values driven approach which underpins the way it does business. The Council believes in the importance of fairness and responsibility. In practice, that means maximising the positive social, economic and environmental impact that can be achieved through everything we do as set out in the Council's values. From procurement practices to the pay policy, the Council is using its influence as a commissioner, service provider, facilitator and employer to deliver added social value.

The Oldham Plan

- 1.5 Since becoming a Co-operative Council in 2011, the Council has made fundamental changes in how it works with residents, businesses and partners. The Oldham Plan 2017-2022 is a collective action statement explaining how the Council and partners can all best serve Oldham by helping its people, districts and businesses to thrive.
- 1.6 The Oldham Plan includes a delivery model that is based around three fundamental shifts which work together to deliver the ambitions of the Oldham Plan. These are:

Inclusive Economy – Ensuring a fairer economic system where people have the chance to succeed.

Thriving Communities – Oldham is a place where social action and social and community infrastructure means something.

Co-operative Services – Developing integrated public services that work in an asset-based way to meet the needs of people and communities.

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- 1.7 Together these objectives and ambitions reflect the on-going commitment to ensuring the Council and its partners work with the residents of Oldham to bring about positive change and provide strong leadership for a co-operative borough.

The Corporate Plan

- 1.8 The current Corporate Plan was agreed in 2015 and covered the period up to 2020 but was refreshed in 2017 to reflect the Oldham Plan. The Council is in the process of preparing a new Corporate Plan to reflect Oldham Council's contribution to achieving the outcomes in the Oldham Plan, as well as its wider vision as an organisation.
- 1.9 To develop the new Corporate Plan, the Council is working with all Directorates and service areas to identify key priorities for the organisation, as well as how those priorities align to the wider Oldham model. The new Corporate Plan will be launched in May 2020 and will underpin the evolution of the MTFS beyond 2020/21.

Transformation Programme

- 1.10 Council services continue to evolve through innovation, collaboration with strategic partners and re-design. To accelerate this process, the Council and key partners have embarked on an ambitious Transformation Programme which aims to:
- identify, scope and agree the change initiatives required to ensure the Council and its partners can deliver the strategic ambitions they have for the borough and its residents as set out in a refreshed Corporate Plan;
 - drive the implementation of those changes to a successful conclusion;
 - make a substantial contribution to savings targets and medium-term financial plans.
- 1.11 This programme will help ensure that all such services, whether delivered in-house or with partners, strive for excellence and provide value for public money, getting the maximum impact for Oldham and its people for every pound spent. The Transformation Programme will also respond to the financial challenges being faced and will assist the Council and its partners in adapting to local demands, national, regional and local political priorities as well as technological developments.
- 1.12 The transformation programme will support the delivery of outcomes set out in the forthcoming Corporate Plan and represents a key feature of the MTFS beyond 2020/21.

2019/20 Highlights and Achievements

- 1.13 In taking forward the Corporate Plan and via the implementation of the financial strategy during 2019/20 the Council has delivered a full range of services but some key highlights and achievements for 2019/20 are as follows:
- In January 2019, the Council announced the ground-breaking Northern Roots project and a new environmental centre for Alexandra Park. The project is focussing on the 160-acre Snipe Clough site and will build on work the Council has done over the last six years around co-operative working, community growing, horticulture skills and training, renewable energy and building the local food economy;
 - In March 2019, Oldham Cares awarded a three-year contract to a local consortium of Voluntary and Community organisations to create a Social Prescribing Innovation Partnership arrangement – one of the first for the public sector in England. This pioneering work was shortlisted for the iNetwork Innovation Awards 2019 and the LGC Best Public Sector Partnership Award;

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- In July 2019, Oldham was one of 50 areas across the country to be invited through to the second phase of the £675 million Future High Streets Fund that aims to revitalise local town centres. The fund could see areas like the borough benefit from up to £25 million in addition to the investment already being made;
 - In July 2019, Oldham committed to become a Green New Deal Council, which will see the Council aim to become carbon neutral by 2025;
 - In October 2019, work to transform a former Oldham library building into a new arts and heritage centre – OMA – moved a step closer following the appointment of contractors to deliver the £13m project and restore the grade two-listed former library and art gallery;
 - In October 2019, Oldham's entry into North West in Bloom, won the Best City Award for the tenth year in a row. Oldham also won the Best Town/City Centre and Best Public Feature Awards;
 - In November 2019, Oldham successfully achieved Foundation Living Wage Accreditation. The accreditation commits Oldham Council to paying at least the Foundation Living Wage (currently £9.30 per hour) to all staff, and to work with suppliers to ensure that they do the same;
 - In November 2019, the schools catering service tasted success thanks to the high-quality meals being served across the borough. The service was awarded the Food for Life Served Here Excellence at Silver & Gold Award. The awards recognise organisations which serve nutritious healthy food that is locally sourced and better for the environment as it's made with sustainable practice in mind;
 - The Council launched Ageing Well Oldham – an initiative to help residents over the age of 50 further their career, get help with business funding and improve overall health and wellbeing.
 - Oldham Council agreed to fund prescription charges for all care leavers (up to age 25). This decision follows the Children in Care Council's first motion to Council earlier in the year. It also follows the introduction of an exemption from paying Council Tax for all care leavers up to the age of 25;
 - The number of care homes rated good has improved from 45% to 81% in the past two years. Within Greater Manchester, Oldham has the highest proportion of care homes rated good;
 - The Council agreed a deal with supermarket Lidl and major hotel operator Travelodge to deliver a mixed-use project on the Prince's Gate site;
 - The demolition of Hartford Mill has been agreed allowing the owner to redevelop the site and contribute to the regeneration of Werneth;
 - The Council announced the investment of £7m for road improvements and funding for more than 7,700 pot hole related repairs;
 - Oldham's growing profile as a regional logistics base has been significantly boosted by the opening of a new £1.000m Reverse Logistics Training Centre;
 - The Council pledged £0.100m to help businesses and create jobs as part of the Oldham Business Grants scheme. This funding supports the Council's aim to help local businesses to thrive in uncertain financial times and to ensure one of the town's biggest assets – our residents – have access to employment and jobs in their local communities;
 - Pupils and staff at Greenfield Primary School celebrated the official opening of their new £5.7m building and grounds. The new school, just yards away from the old building on Shaw Street, Greenfield, includes 14 classrooms, science block, sports hall, dance studio and playground area. Almost £33m is being invested in Oldham schools to improve the learning environments for young people and to raise the attainment for everybody in the borough;
 - Oldham Council Libraries Service is celebrating after it was revealed that more than one million visitors walked through their doors between 2018 and 2019. For visitor numbers within Greater Manchester, Oldham's Library service is second only to Manchester City Council Libraries;

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- Youth services across Oldham are to receive a £0.100m boost, creating new opportunities and support for young people in the borough. Following consultation with thousands of young residents, Oldham Council and the local Community Safety and Cohesion Partnership will focus funds on projects that build young people's confidence as part of our community, raising their aspirations and expectations, and reducing violence;
 - The Oldham Lifelong Learning Service (OLLS) service enrolls around 4,200 learners each year and has an overall qualification achievement rate of 95.5%, with 98% of learners saying they are likely to recommend it. OLLS was graded as Outstanding in its last Ofsted report.
 - The Get Oldham Working initiative has helped create more than 11,300 work-related opportunities - including nearly 8,000 jobs, 1,550 apprenticeships, 350 traineeships and more than 1,500 work experience placements, of which over 9,000 opportunities have been filled by Oldham Citizens.

2 Medium Term Financial Strategy (MTFS)

2.1 The purpose of the MTFS 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.”**

2.2 The MTFS is an assessment of the Council's current financial position and a determination of the financial position the Council wishes to be in over the medium term. This report has been prepared over a five-year timeframe 2020/21 to 2024/25 to align with the Capital Programme and the Housing Revenue Account (HRA). However, given significant uncertainty around future funding streams as outlined later in the report, it concentrates in detail on the financial position for 2020/21.

2.3 This MTFS enables the Council to plan how it can secure the delivery of essential public services, but also ensures it is in a sustainable position to do so over the medium term and beyond.

2.4 The MTFS considers:

- Relevant political and economic influences on Oldham Council;
- Local factors which influence policy within the Council including the Administration's priorities set out in the Oldham Plan;
- The impact of Government policy and associated announcements;
- Key Council policy initiatives including the Council's Transformation Programme and forthcoming Corporate Plan.

2.5 This remains a challenging time for Local Government with significant uncertainty around funding for the sector beyond 2020/21. Although the Council is less likely to face funding reductions on the scale experienced in the previous decade, demographic changes, increased demand for Social Care and inflationary pressures means maintaining expenditure at or beyond current service levels is unlikely to be sustainable and will most likely exceed the resources available in the medium term. Councils such as Oldham with high relative needs and a small tax base (relative to expenditure) will continue to be heavily reliant on Central Government for a significant proportion of their funding.

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- 2.6 In addition to the determination of the overall level of resources available for the whole Local Government Sector, significant changes are currently planned which will impact on key funding streams for 2021/22 including:
- A review of Local Authorities' relative needs and resources (fair funding review) which is expected to realign the allocation of resources between Local Authorities;
 - The full or partial resetting of the Business Rates Retention system resulting in existing Business Rates gains and losses being redistributed across all Local Authorities;
 - The move to a 75% Business Rates Retention system nationally (currently 50%) which is expected to result in the end of the Greater Manchester 100% Business Rates Retention Pilot Scheme;
 - Business Rates revaluation affecting the amount of Business Rates paid by the occupiers of commercial premises.
- 2.7 This report is complemented by others elsewhere on the agenda which form a core part of the Council's strategic financial framework and MTFs. The MTFs has a vital role to play in enabling the translation of the Council's ambition and priorities into action. In addition to this report there is:
- The month 8 revenue and capital monitoring reports for 2019/20;
 - Strategic Housing Revenue Account (HRA) estimates detailing financial forecasts for the medium term as well as setting the 2020/21 HRA budget, rent levels and service charges for the year ahead;
 - The Capital Strategy and Capital Programme which presents the Council's Capital investment ambitions and priorities for the medium term to 2024/25;
 - The Treasury Management Strategy Statement for the year ahead, including a Minimum Revenue Provision Policy Statement, Annual Investment Strategy as well as a suite of prudential indicators;
 - The Council Tax Reduction Scheme for 2020/21 which proposes no change compared to the 2019/20 scheme;
 - The Statement of the Chief Finance Officer on Reserves, Robustness of Estimates and Affordability and Prudence of Capital Investments.
- 2.8 It is important to recognise cross cutting implications, where decisions relating to one element of the strategy have implications elsewhere. For example, capital investment decisions may carry revenue budget implications in terms of operating, maintenance or debt servicing costs. Similarly, capital investment financed by borrowing carries implications for Treasury Management as well as implications for the revenue budget.
- 2.9 This report revises the MTFs estimates for the period 2020/21 to 2024/25 based on local and national information including the Provisional LGFS published on 20 December 2019 (the Final Settlement has yet to be announced). The budget reduction requirement has consequently been revised to £18.169m as explained at Section 9 later in the report.
- 2.10 This report then sets out the Administration's proposals for the statutory balancing of the 2020/21 revenue budget as per the detail set out from Section 10 onwards together with revised budget reduction requirement estimates for the period 2021/22 to 2024/25.

3 Economic Context and Policy Landscape surrounding the MTFS and budget setting for 2020/21

3.1 A major influence when considering the MTFS is the economic context and policy landscape both nationally and locally. This section presents key factors which have framed the MTFS and the preparation of the 2020/21 budget.

Economic Background

3.2 In line with previous years, the Government originally planned to deliver an Autumn Budget Statement on 6 November 2019. However, the calling of the General Election and the associated dissolution of Parliament meant the statement was cancelled as was the requirement for the Office for Budget Responsibility (OBR) to prepare an updated Economic and Fiscal Outlook report. On 6 January 2020, the Chancellor of the Exchequer announced that a budget statement will be delivered on 11 March 2020. It is clear, therefore, that this announcement will take place after the Council has considered and determined its revenue budget for 2020/21. Any issues arising from the Chancellor's budget will be dealt with as appropriate.

3.3 The latest available OBR report was published in March 2019 to coincide with the Treasury's Spring Statement. Both reports referenced forecasts for economic growth and Government borrowing. Those forecasts indicated economic growth would stabilise at around 1.6% per annum by 2021 and Government borrowing would continue to decline reaching around £13.5bn per annum by 2022/23.

3.4 Clearly, much has happened in the political and economic arena since these forecasts were prepared meaning little reliance can be placed upon them. As well as a change of Prime Minister, the formation of a majority Conservative Government after the December 2019 General Election and the UK's exit from the EU on 31 January 2020 has significantly changed the Government's priorities which will inevitably have an impact on the associated economic and fiscal outlook. The following table summarises current figures for major UK economic indicators.

Table 1 – Economic Indicators

Indicator	%
Economic Growth (Quarter 3 2019 GDP)	0.4
Inflation (December 2019 Consumer Prices Index)	1.3
Unemployment Rate (Quarter 3 2019)	3.8

3.5 In addition to the above, the latest Government Borrowing figures (November 2019) show borrowing for the month was at its highest level for five years. Borrowing in the current financial year-to-date (April 2019 to November 2019) was £50.9 billion, £5.1 billion more than in the same period last year; this is the highest April-to-November borrowing for two years. Overall public sector debt is worth 80.6% of GDP; a decrease of 0.8% compared to November 2018.

3.6 A more detailed national and international economic commentary is provided within the Treasury Management Strategy report (elsewhere on the agenda).

Provisional LGFS

- 3.7 The Provisional LGFS was originally expected to be published during the first week of December 2019. However, the General Election process resulted in delay with the Provisional Settlement eventually being published on 20 December 2019. Full details of the Settlement and the implications for Oldham are included in Section 6 of the report. The Final Settlement is expected by mid February and there may be some revisions to Government Funding notifications as a consequence, which will be included in reports to Budget Council.

Major National Policy and Service Developments

Brexit

- 3.8 The issue of the UK's departure from the European Union (EU) has dominated the political agenda since the referendum of June 2016. The former Prime Minister Theresa May triggered the formal process to leave the EU (Article 50) which led to two years of negotiations and an original leaving date of 29 March 2019.
- 3.9 Parliament did not approve the deal negotiated by the UK Government with the EU which led to the leaving date being postponed twice under Theresa May's premiership to 31 October 2019. Theresa May resigned as Prime Minister and Leader of the Conservative Party on 7 June 2019 which triggered a leadership contest. Boris Johnson took up the position of Prime Minister and Leader of the Conservative Party on 24 July 2019 and subsequently re-negotiated the deal to leave the EU. The Government failed to secure parliamentary approval for the revised deal to leave the EU on 31 October 2019 which led to a further extension to the leave deadline (31 January 2020).
- 3.10 MPs did, however, vote in favour of holding a General Election on 12 December 2019. This resulted in the Conservative Party being returned to Government with a majority of 80 MPs. This decisive result means the new Government secured Parliamentary approval for its EU Withdrawal Agreement which enabled the UK to leave the EU on 31 January 2020.

Index of Multiple Deprivation

- 3.11 In September 2019, the latest English Indices of Deprivation were published; updating the previous set of indices published in 2015. Oldham's overall ranking has declined from 34th to 19th worst of 317 Local Authorities. This appears to be associated with a widening in the extent of deprivation relative to other areas. The index covers seven 'domains' of deprivation, each of which comprises multiple statistics. Three domains - Crime, Living Environment and Income Deprivation are the main contributors to the decrease in Oldham's ranking. Clearly, a worsening of deprivation places additional pressure on Council Services and the resources available to finance those services.

Living Wage

- 3.12 The Government's National Living Wage for workers aged 25 and over is currently £8.21. The rate effective from April 2020 is to rise by 6.2% to £8.72. The Council, Miocare and the Unity Partnership however pay their employees the higher Foundation Living Wage as championed by the Living Wage Foundation (£9.30 per hour from November 2019). This means the Government's increase in the National Living Wage has had no direct impact on employee costs.
- 3.13 In November 2019, Oldham Council successfully achieved Living Wage accreditation from the Living Wage Foundation (LWF). Accreditation recognises and celebrates the leadership

shown by Living Wage employers across the UK for paying their staff the Foundation Living Wage (FLW).

3.14 In order to secure Living Wage accreditation, the Council was required to:

- Ensure all staff are paid the FLW (£9.30 per hour) – Across the Council there is already an ongoing commitment to pay the FLW;
- Ensure that all trainees are either paid the FLW or are working towards a nationally recognised qualification – All new trainees now undertake an NVQ1 level qualification or above in a work-relevant topic;
- Develop a Milestone Plan, highlighting which contracts will need to be reviewed over the next three years to become FLW compliant – In total, there are around 180 contracts which the Council will be required to uplift to the FLW over the next three years. In the Milestone Plan, the Council has attempted to make this transition as smooth as possible, with all contracts being uplifted by the end of 2022. For 2020/21, the financial impact of delivering the milestone plan is negligible and will be contained within existing budgets. Longer term, pay and price estimates reflect provision for delivery against the milestone plan although the precise impact and cost profile remains uncertain.

3.15 Oldham is also home to ten other FLW Employers, including First Choice Homes Oldham and Action Together, one of the Council's voluntary sector partners. The Council is keen to increase this number, so will be working with employers across the borough, encouraging them to pay the FLW to their staff.

Opportunity Area (OA) Programme

3.16 Oldham is one of twelve Opportunity Areas that are receiving a share of specific Government funding to boost opportunities for young people in the community. The OA programme is a key part of the Government's priority to boost social mobility. To date, Oldham has received £4.620m in funding and the Government announced in November 2019 that the programme will be extended for a further year to August 2021 supported by an additional £18m nationally. Excluding the additional funding (for which specific allocations have yet to be announced), the estimated investment in Oldham is £8.981m over the life of the programme.

Priorities of the new Government

3.17 The Queen's Speech of 19 December 2019 outlined the new Government's top priority of securing Parliamentary approval for its EU Withdrawal Agreement which enabled the UK to leave the EU on 31 January 2020. Also included in the speech were commitments to:

- Guarantee additional funding for the NHS, ensure qualified doctors, nurses and health professionals have fast-track entry to the United Kingdom and remove hospital car parking charges for those in greatest need;
- Continue work to reform the Mental Health Act;
- Develop a plan for the long-term reform of social care;
- Reform the criminal justice system and ensure the most serious violent offenders; including terrorists, serve longer in custody;
- Introduce an Australian-style points-based immigration system from 1 January 2021;
- Accelerate the delivery of gigabit capable broadband;
- Take steps to meet net zero greenhouse gas emissions by 2050; and
- Repeal the Fixed-term Parliaments Act enabling the prime minister to call an election without the consent of MPs.

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- 3.18 The Government also announced plans for a 50% Business Rates discount for small firms, including independent cinemas and music venues. The Government has promised to increase the current retail discount on Business Rates from one-third to 50%, costing an estimated £320m nationally. On 27 January 2020 the Government issued a Ministerial Statement and published guidance regarding these revised discounts applicable from 1 April 2020. Full compensation will be received for the loss of Business Rates revenue via the payment of an additional Section 31 grant. The exact financial implication has yet to be finalised but there will be no net impact on the 2020/21 budget reduction requirement.
- 3.19 It is not yet clear how each of these policy commitments will impact on the medium-term financial position of the Council beyond 2020/21. The Government has, however, indicated the Chancellor will deliver a budget statement on 11 March 2020. In addition, at the recent LGA Local Government finance conference (7 January 2020), the Minister for Local Government, Luke Hall MP stated the following in addition to confirming announcements made as part of the 2019 Spending Round and 2020/21 Provisional LGFS:
- In addition to 'levelling up' schools funding, a cross-Whitehall SEND review that the Department for Education is leading will be looking carefully at what other aspects of the school funding system need to be improved or changed;
 - There will be an increase in Public Health Grant (details yet to be announced), to fund continued investment in prevention and essential frontline health services;
 - There will be a longer-term Spending Review, alongside reviews of the allocation and distribution of resources;
 - The Government will set out plans to fix the social care system once and for all working with political parties from all sides of the House of Commons to seek consensus around the very best solutions;
 - The Government will publish an 'English devolution white paper', aiming for full devolution, so that every part of the country has the power to shape its own future.

Developments within Local Government Finance

- 3.20 There have been several developments specifically within the Local Government finance arena which are covered separately in Section 5 of this report.

Devolution

- 3.21 Greater Manchester remains at the forefront of the city-region devolution agenda. Since its ground-breaking devolution deal of November 2014, a further six devolution deals have been agreed. These have given the regions additional powers and budgetary control across a range of services and policy areas including health and social care integration, transport, strategic planning, housing, work and skills and the justice system.
- 3.22 The ambition of the region is included in the Greater Manchester Strategy which sets out a collective ambition to make Greater Manchester one of the best places in the world to 'grow up, get on and grow old'. The Government has recently indicated it wishes to boost investment in the North and the Midlands and is reported to be considering changes to how the economic benefits of public spending are evaluated. Clearly, this development together with the proposed white paper on English devolution will shape the future devolution agenda.
- 3.23 Set out in the following paragraphs are the key issues that are shaping the devolution agenda that will affect the operational and financial environment of the Council as well as its approach to addressing financial challenges.

Greater Manchester Spatial Framework (GMSF)

- 3.24 This is Greater Manchester's plan for homes, jobs, and the environment. The plan aims to provide the right homes, in the right places, for people across the city region. The plan will set out how Greater Manchester should develop up until 2037 and identifies the amount of new development that will come forward across the ten Greater Manchester districts. Consultation on the latest draft plan closed in March 2019 and a summary of responses was published in October 2019. A revised timetable for developing and adopting the plan was approved by the Greater Manchester Combined Authority (GMCA) on 27 September 2019. The timetable indicates further consultation is planned to take place in summer 2020 with a view to adoption of the plan by December 2021. Clearly, the plan will have a significant influence on Oldham's own local plan, local revenue streams (Council Tax and Business Rates), capital investment and demand for services from local residents.

Local Industrial Strategy

- 3.25 In June 2019, the GMCA published a Local Industrial Strategy (LIS) for the city region. This represents the GMCA's response to the GM Independent Prosperity Review which sought to create a framework for decision-makers tasked with making the city region more prosperous.

- 3.26 The LIS aims to achieve the aspirations of the Government's National Industrial Strategy as well as contributing to Greater Manchester's own prosperity. The strategy sets out how the region will respond to economic and technological changes, as well as other global forces such as an ageing society and the need to transition to clean growth, while raising productivity and earnings. The LIS seeks to:

- Build on strengths in the life sciences sector, advanced materials, and digital, creative and media;
- Make the most of economic opportunities arising from the ambition to become carbon neutral by 2038, 12 years ahead of the national target;
- Invest in skills and infrastructure (particularly transport infrastructure) to ensure that all businesses and residents can contribute to and benefit from growth.

- 3.27 As with the GMSF, this strategy will have a significant long-term influence on Oldham and the future development of its economy.

Adult Education Funding

- 3.28 For the 2019/20 academic year, adult education funding was devolved to the GMCA when it became responsible for the delivery of quality adult education within the city-region. The devolved funding allocation for the city region is around £92m. This finances a number of core grant maintained providers (including the Oldham Lifelong Learning Service and The Oldham College), as well as a programme of contracted provision.

Transport Strategy

- 3.29 The strategy sets out Greater Manchester's '2040' vision for creating an integrated public transport system. Key elements of the strategy include:

- 'Our Network' – This envisages bus, tram, train, cycling and walking all working together to combat congestion, deliver clean air, and address inequality, with seamless, contactless connections with simple fares and ticketing, routes which are fully accessible, and giving passengers the information they need;

- 'Our Pass' - provides free bus travel and opportunities across the city region for young people aged 16-18;
- Tram - 120 trams to operate over 60 route miles, with no emissions and 100% of the electricity from renewable sources. Zonal fares and contactless payment with a daily cap have been introduced. The Trafford Park line opens in 2020, 27 new trams will be delivered, and there will be a 30 per cent increase in park & ride capacity;
- Buses - GMCA is considering a franchising scheme for the whole of GM. This would mean that bus services would be under Greater Manchester's control and would allow buses to work better with the rest of the public transport system. Further details are set out in paragraphs 3.30 to 3.31;
- Cycling & walking – The ambition is to halve all journeys by active travel and public transport by 2040. In 2017, Chris Boardman was appointed as Greater Manchester's first cycling and walking commissioner. Within 10 years there will be an 1,800-mile network - our Bee Network - connecting every neighbourhood. It will be the biggest walking and cycling network in the country;
- Rail - Services and infrastructure have failed to keep pace with growth. The GMCA wish to see the Government implement the recommendations of the National Infrastructure Commission for substantial, stable, long-term devolved funding to city regions such as GM; and
- Northern Powerhouse Rail / HS2 Phase 2 – These projects are needed to deliver a true transformation in connectivity.

Bus Reform

- 3.30 The GMCA has proposed a bus franchising scheme for the whole of Greater Manchester. The financial case for the 'bus reform' proposals includes a full assessment of how the GMCA could afford to make and operate the proposed scheme. The assessment set out a range of credible funding sources which exceed the net modelled costs to operate the scheme over the proposed transition period to 2024/25. The assessment also concluded the proposed franchising scheme was affordable and would represent value for money. Following the audit of the assessment, the GMCA agreed in October 2019 to commence consultation on the proposed franchising scheme which included a proposed funding package. The consultation closed on 8 January 2020.
- 3.31 The forecast net costs over the transition period up to 2024/25 set out in the business case are approximately £134.5 million. Potential sources of funding include £78.0m of mayoral 'earn back' funds (provided by Central Government as part of Greater Manchester's Devolution Agreement), £11.0m raised by the existing precept as part of the Mayor's 2019/20 budget for bus reform purposes and £22.7m from the mayoral precept in future years budgets, £5m of existing and forecast Business Rates receipts held by GMCA and £17.8 million of contributions by Local Authorities as a proposed one-off increase in their statutory contribution. Any differences between the profile of expenditure and funding requirement will be covered through prudential borrowing rather than being an additional funding request. Discussions are also ongoing with Government around their level of support to deliver bus reform which could potentially reduce the local funding required including from the mayoral precept. The full business case was included in the consultation documentation and includes the indicative profile of costs and the forecast funding requirement. Following the outcomes of the consultation on Bus Reform, should the GMCA proceed with its proposal, the Local Authority contribution may be required. On the basis of the above, the Oldham Council share would be £1.480m. Resources to finance this share will be held in the Fiscal Mitigation reserve and drawn down during 2020/21 if required.

Homelessness

- 3.32 In partnership with GM districts, the GMCA is providing support for initiatives designed to reduce homelessness. With the public's help, alongside donations from benefactors and businesses, 'A Bed Every Night' aims to ensure that there will be a bed every night for every single person sleeping rough in Greater Manchester. In addition, the Mayor's Homelessness Fund supports frontline projects which can demonstrate they are supporting the Mayor's objective to end rough sleeping and reduce homelessness. The Government provides Oldham with additional grant funding for Homelessness. Further details are included in Section 6 of the report.

Greater Manchester (GM) 100% Business Rates Retention Pilot Scheme

- 3.33 Alongside the 2019 Spending Round announcement, the Government confirmed that the reform of Business Rates Retention (including the adoption of a national 75% rates retention scheme) will be slipped by one year to 2021/22 along with the Fair Funding review of the Local Government Finance system. Both reforms were originally planned for implementation on 1 April 2020. Consequently, confirmation was received on 11 September 2019, that the Greater Manchester 100% Business Rates Retention pilot scheme will continue for a further year in 2020/21. Although continuation of the pilot scheme is revenue neutral for 2020/21, the presentation of the budget estimates later in this report have been amended to reflect the continuation of the 100% pilot scheme arrangement and the adoption of 75% rates retention from 2021/22. The pilot scheme has enabled additional Business Rates revenues to be retained within the city region. Oldham's share of these benefits supported the 2019/20 budget by £1.718m and is forecast to support the 2020/21 budget by a further £2.713m.

GM, Cheshire East & Cheshire West and Chester Councils Business Rates Pool 2019/20

- 3.34 Members will recall that Oldham has participated in Business Rates pooling since 2015/16. The aim of pooling is to retain the benefits of any Business Rates growth within Greater Manchester for the benefit of the region. For 2020/21, members of the pool for Business Rates includes all ten GM districts and Cheshire East and Cheshire West & Chester Councils.
- 3.35 On 16 December 2019, Cabinet delegated the final decision on the Council's membership of the proposed Greater Manchester, Cheshire East and Cheshire West & Chester Business Rates Pool for 2020/21 to the Deputy Leader and Cabinet Member for Finance and Corporate Services in consultation with the Director of Finance. A final decision must be made within 28 days of the receipt of the Provisional LGFS (17 January 2020) which did not accord with formal reporting cycles, hence the need for the delegation. The Deputy Leader and Cabinet Member for Finance and Corporate Services approved Oldham Council's membership of the Greater Manchester, Cheshire East and Cheshire West & Chester Business Rates Pool for 2020/21 on 16 January 2020.

GM Model of Unified Public Services

3.36 A reform White Paper was agreed by partners across Greater Manchester in July 2019 which sets out a vision for a radically new approach to public services in the region, building on ten years of public service reform pilots and place-based working. The White Paper:

- Aims to create public services fit for the 21st century; focused on people, prevention and place;
- Sets out six principles which will underpin this new model: Geographical Alignment; Leadership and Accountability; One Workforce; Shared Financial resource; Programmes Policy and Delivery; and Tackling Barriers and Delivering on Devolution;
- States this is about more flexible, integrated and prevention-focussed public services aligned around neighbourhoods rather than organisational or professional silos.

Other GM Strategies/Initiatives

3.37 The GMCA has developed a number of other strategies and initiatives which are focused on developing growth and prosperity by taking an inclusive approach which all communities can contribute to and benefit from:

- Good employment Charter – This is designed to encourage and support employers to become more productive and offer higher pay and secure work. Membership of the Charter will require employers to offer, for example secure and flexible work, a real living wage, workplace engagement and excellent recruitment and management practices;
- Working Well – This began in March 2014 and provides intensive personalised support to benefit claimants to improve work readiness and help people find stable employment;
- Co-operative Commission – Convened in February 2019 and preparing a report which seeks to create the right conditions for co-operative enterprises to thrive and support the co-operative business model;
- Social Enterprise Strategy – Work is underway to develop a clear strategy for supporting social enterprises across the city-region.

4 Oldham Council Policies and Strategies

4.1 Another key influence on the MTFS is the Council's own policies and strategies which are set out in the following section.

Co-operative Council in a Co-operative Borough

4.2 Oldham Council became a Co-operative Council in 2011. The Council is committed to developing a Co-operative future; one where citizens, partners and staff work together to improve the borough. The Council encourages all members of the community to play an active part in building a co-operative borough. This means everyone doing their bit.

4.3 To help realise this ambition, the Council has developed co-operative values and behaviours. All staff, citizens and partners are encouraged to adopt these values.

Co-operative Values and Behaviours



4.4 Oldham's values driven approach underpins the way the Council does business. In practice, this means maximising the positive social, economic and environmental impact that can be achieved. From maximising social value achieved through procurement practices, to paying all staff the Foundation Living Wage, the Council is using its influence as a commissioner, service provider, facilitator and employer to embed co-operative values across Oldham. However, the Council is not doing this alone. Oldham has a strong Strategic Partnership structure and plan that has driven the reform, integration and shared economic agenda both in Oldham and within Greater Manchester.

The Oldham Plan

- 4.5 The Oldham Plan 2017-2022 is a collective action statement explaining how the Council and partners can all best serve Oldham by helping its people, districts and businesses to thrive.
- 4.6 This involves recognising shared challenges and agreeing mutual ambitions and all partners working together to identify what each can contribute to obtaining better results. In this way it means that everyone does their bit and everyone benefits.
- 4.7 The Oldham delivery model is based around three fundamental shifts which work together to deliver the ambitions of the Oldham Plan. These are:

Inclusive Economy –Ensuring a fairer economic system where people have the chance to succeed.

Thriving Communities –Oldham is a place where social action and social and community infrastructure means something.

Co-operative Services – Developing integrated public services that work in an asset-based way to meet the needs to people and communities.



4.8 Set out below are examples to illustrate how the Oldham Model is delivering some significant positive outcomes in the borough.

Inclusive Economy: The Council wants Oldham to be a place where everyone has a fair and real chance to improve their own lives.

- Oldham is currently home to around 6,580 businesses spanning a range of key sectors including health, advanced manufacturing, construction, retail and financial and professional services.
- Oldham has improving educational attainment. More than 43 per cent of the population have a degree, diploma, A/AS level or apprenticeship.
- The borough offers a wide variety of school types from small rural settings to large urban schools. It has high-quality buildings with many new or recently-built facilities following a £137 million investment, with more to come.
- The Metrolink network supports transport connectivity within the borough. It has increased the appeal of Oldham to skilled and higher-earning commuters and has linked residents in many areas historically poorly-served by public transport with employment, retail and leisure destinations throughout the conurbation.
- The Get Oldham Working Initiative has helped create more than 11,300 work-related opportunities - including nearly 8,000 jobs, 1,550 apprenticeships, 350 traineeships and more than 1,500 work experience placements, of which over 9,000 opportunities have been filled by Oldham Citizens.

Thriving Communities: The Council wants local people and communities to be healthy, happy and able to make positive choices as well as offering and accessing support when needed.

- Oldham has a population of more than 235,000. The total population within a 30-minute drive time is 2.8 million.
- Around a quarter of the borough is within the Peak District National Park.
- Oldham's 32 parks include Alexandra Park, a 78-acre green space with Grade II status from English Heritage and – alongside Dunwood Park in Shaw – holds a prestigious Green Flag Award for international-standard facilities and conservation.
- For shopping, Spindles Town Square offers a range of High Street retailers and the Tommyfield Market (which is one of several across the borough) consists of an indoor and part-time outdoor market and adjacent units which have more than 98 businesses.

Co-operative Services: The Council aims to have the best public services in Greater Manchester that work together to improve ways of living for our residents.

- Oldham Council has a strong voice in Greater Manchester for Inclusive Growth and is developing key employment sites for new jobs and investment.
- The Council's aim is to ensure children are school ready, work ready and life ready and to raise attainment for all, and raising it fastest for disadvantaged pupils. Building an integrated health and care system with partners to support healthy choices and challenge inequalities – backed up by outstanding leisure centres and sporting opportunities for all.
- The Council is supporting new high-quality and aspirational housing to broaden choice alongside our affordable homes.
- The Council is committed to protecting the environment through schemes that are empowering communities to improve where they live and encouraging investment in clean power and jobs as the Council delivers new facilities across our borough.

The Corporate Plan

- 4.9 The current Corporate Plan was agreed in 2015 and covered the period up to 2020 but was refreshed in 2017 to reflect the Oldham Plan. The Council is in the process of preparing a new Corporate Plan to reflect Oldham Council's contribution to achieving the outcomes in the Oldham Plan, as well as its wider vision as an organisation. The plan is being refreshed to take account of:
- Progression of the Oldham model, including the creation of Oldham Cares;
 - Current organisational priorities and key changes resulting from Greater Manchester Devolution;
 - The need to inform business planning and provide continued direction to employees, to inform decision making as well as inform budget priorities, as the Council continues to navigate a period of transition and transformation;
 - The need to align the Corporate Plan to corporate messaging, reflecting the Council's place in the wider Team Oldham system.
- 4.10 To develop the new Corporate Plan the Council is working with all Directorates and service areas to identify key priorities for the organisation, as well as how those priorities align to the wider Oldham model. The new Corporate Plan will be launched in May 2020.

Constitution and Rules of Procedure

- 4.11 Oldham Council has an agreed Constitution which sets out how the Council operates, how decisions are made and the procedures that ensure these decisions are efficient, transparent and accountable to local people. Most of the procedures are required by law. Detailed procedures and codes of practice are provided in separate rules and protocols which accompany the Constitution and Articles contained therein. The following rules of procedure are particularly relevant in the context of determining the Council's Medium-Term Financial Strategy.

Budget and Policy Framework Procedure Rules

- 4.12 This sets out the process for the adoption and implementation of the Council's Budget and Policy Framework. It specifies the budget estimates that must be prepared as part of that framework, the process for developing the framework and the associated decision-making process. The Revenue Budget and MTFFS report, if approved by Council, forms a key element of the Council's Budget and Policy Framework.

Financial Procedure Rules

- 4.13 These rules (which are aligned to the Budget and Policy Framework Procedure Rules) set out detailed procedures regarding financial administration covering, for example, the preparation and management of budgets, financial systems, internal audit, insurance, banking arrangements, payments, income and taxation. These rules underpin the Council's statutory duty to make arrangements for the proper administration of its financial affairs. These rules have been the subject of a detailed and thorough review and as a result, Council on 8 January 2020 approved an updated version.

Financial Policies and Strategies

Capital Strategy

- 4.14 The Capital Strategy (elsewhere on the agenda) is prepared in accordance with the latest Chartered Institute of Public Finance and Accountancy (CIPFA) Prudential and Treasury Management Codes of Practice. The 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 and the recently approved 'Creating a Better Place' strategy. The Capital Strategy has been prepared to take account of the ambition for the borough including major regeneration developments within the Town Centre and borough-wide, to ensure that new school buildings and extensions are delivered as well as ensuring that the highways network and the corporate estate are adequately maintained.
- 4.15 The proposed Capital Strategy and Programme for 2020/21 to 2024/25 also takes the essential elements of previous years' strategies and programmes and moves them forward in the context of the financial and political environment for the forthcoming financial year. Capital spending is a key determinant of future revenue commitments, so the capital programme and revenue budget are interlinked and have been developed simultaneously.

Treasury Management Strategy

- 4.16 As with the Capital Strategy, the Treasury Management Strategy (elsewhere on the agenda) is prepared in accordance with the latest CIPFA Prudential and Treasury Management Codes of Practice. The strategy sets out the Council's approach to managing investments, cash flows, money market and capital market transactions. The strategy provides a framework for the effective control of risks associated with these activities; and the pursuit of optimum performance consistent with those risks.
- 4.17 The Treasury Management Strategy for 2020/21 reflects the Council's capital expenditure plans as set out in the Capital Strategy. Also highlighted is the position in relation to prudential indicators arising from the Council's capital expenditure plans. As well as borrowing and investment strategies, the Treasury Management Strategy also covers the current treasury position, economic outlook and interest rate forecasts, risk and creditworthiness. Finally, the strategy also includes the Council's policy on borrowing in advance of need and the Minimum Revenue Provision (MRP) Policy Statement.
- 4.18 In accordance with the latest Prudential and Treasury Management codes, the Capital and Treasury Management Strategies clarify the Council's approach to both treasury and non-treasury investments.

Income Strategy 2020/21 to 2024/25

- 4.19 On 16 December 2019 Cabinet approved an updated Income Strategy for the Council. The strategy details the approach that the Council will take with regard to income generation and covers all material sources of revenue that finance day to day service provision including:
- Government Grants;
 - Council Tax;
 - Business Rates; and
 - Fees, Charges and Other Contributions.

4.20 The strategy also considers:

- Investment Opportunities;
- Opportunities relating to traded services and other chargeable activities; and
- The process for setting charges and collection efficiency.

4.21 The approval of this policy formalised the approach to income activities and has been a key element in framing the budget setting process for 2020/21.

Commercial Property Investment Strategy

4.22 On 16 December 2019, Cabinet approved a refreshed Commercial Property Investment Strategy. The strategy sets out a framework to secure long-term investments and to generate a sustainable income stream for the Council by way of rental income from new property assets and from its existing non-operational property portfolio held specifically for income generation purposes. The strategy aims to improve the financial resilience of the Council by diversifying the range of revenue streams that can help finance the provision of services. As opportunities are considered, they are reported on a case by case basis to the Council's Corporate Property Board which has delegated authority to approve any acquisitions based on market analysis and thorough due diligence.

Housing Revenue Account

4.23 A report (elsewhere on the agenda) sets out the Housing Revenue Account Estimates for 2020/21 to 2024/25 and projected outturn for 2019/20. The report also sets out the recommended dwelling and non-dwelling rents and service charge increases to be applied from April 2020. The report is a key element of the Council's overall medium-term financial strategy.

Local Taxation and Benefits Discretionary Policies

4.24 Annually, the Council reviews and updates policies covering discretionary Council Tax discounts, discretionary Business Rate relief, Local Welfare Provision and Discretionary Housing Payments. These policies provide support to local businesses and some of the poorest and most vulnerable residents within the borough. These policies operate within a legislative framework determined by various Local Government Acts of Parliament. The financial impact of these policies is fully reflected in the budget estimates presented within this report.

Reserves Policy

4.25 The Council takes a strategic approach to the creation and maintenance of reserves via its Reserves Policy. The policy is updated annually and presented to Audit Committee for consideration alongside the statement of accounts for the previous year. The report to Audit Committee also serves to improve transparency and is especially relevant given heightened interest by the National Audit Office, CIPFA and the wider media in Local Authority Financial Resilience. The subject of financial resilience is covered in more detail in Section 5 of the report and an updated forecast of the Council reserves position is presented in Section 13 of the report.

Counter Fraud and Corruption

4.26 The Council has a series of refreshed policies and procedures to support the provision of an appropriate counter fraud service to minimise fraud risks and to investigate potential fraud and corruption. The Accounts and Audit Regulations 2015 state that the Council must

have measures in place “to enable the prevention and detection of inaccuracies and fraud.” In this context, fraud also refers to cases of bribery and corruption. The budget estimates included within this report rely on effective processes for mitigating the risk of financial loss from fraud, bribery and corruption.

Risk Management Strategy and Framework

- 4.27 The Council maintains a risk management strategy and framework to manage and mitigate the impact of corporate and service risks associated with Local Authority activity and service provision. The latest risk management strategy and framework was approved by Cabinet on 16 December 2019. As is the case for counter fraud and corruption policies, the budget estimates included within this report rely on effective processes for mitigating the risk of financial loss arising from adverse events.

Major Policies and Strategies

- 4.28 The following strategies are identified as having a major influence on the allocation of resources and the development of the Council’s Medium-Term Financial Strategy for 2020/21 to 2024/25.

Community Health and Adult Social Care

- 4.29 Health and social care teams are now more closely integrated. The creation of five cluster teams across the borough where staff are co-located has been embedded for over a year. The Locality Plan developed jointly between Oldham Council and the Oldham Clinical Commissioning Group (CCG) was refreshed during Autumn 2019 and now covers the period 2019 to 2024. The plan sets out:

- A new model for health and care, which is strength based;
- Place-based integration;
- A population health management approach, using data to pro-actively manage people’s health;
- A focus on outcomes, rather than outputs;
- The development of an Integrated Commissioning Function, which will bring together and align various commissioning activities;
- The development of an Integrated Care Partnership, which will integrate provision.

- 4.30 Oldham Council and Oldham CCG continue working together under a ‘Section 75’ agreement to pool funds. Initially instigated to jointly manage the Better Care Fund, it has expanded in recent years to include the commissioning of packages of adult care. The aim is that it will move towards incorporating most of the Community Health and Adult Social Care, Children’s Social Care, Public Health and CCG Primary and Secondary Care commissioning.

- 4.31 There are clearly significant implications for the financial planning and financial management arrangements of the Council as the budgets of the Council and the CCG are more closely aligned. Traditional budget preparation and monitoring arrangements will be replaced with revised processes. Detailed work is required to ensure that any financial risk to the Council is minimised and that new working arrangements continue to demonstrate value for money. This will be progressed over the forthcoming months. However, the close working relationship between the Council and the CCG is evidenced by the £5.900m of financial support provided to the CCG by the Council (approved by Cabinet on 16 December 2019) via the Section 75 agreement which aims to enhance joint working and the integration of health and social care.

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- 4.32 During 2020/21 it is expected that the work to take forward the integration agenda will progress further. The realisation of efficiencies over future financial years arising from health and social care integration is a key strand of the MTFS.

Transformation Fund

- 4.33 The Transformation Fund allocation of £21.300m awarded to Oldham but managed by Oldham CCG has continued to support the work of transforming health and social care. The two main workstreams that have been led from the Council are Thriving Communities and Community Enablement.
- 4.34 The Thriving Communities workstream has established a social prescribing network, established around the clusters that reflects the different needs of each area. There has also been a large commission to address social isolation in the Community, using voluntary and charitable organisations to connect people to their community.
- 4.35 The Community Enablement workstream has been able to trial several schemes designed to help people in the Community, who would otherwise be taken to hospital, or help them leave more quickly. The co-location of the health and care elements of the team has led to more efficient working. It is planned to extend the schemes into 2020/21 to embed these new ways of working and demonstrate the benefits that are being achieved.
- 4.36 Another scheme that has made significant in-roads in the year is the Start Well children's service that has developed multi-disciplinary teams to teach families how they can avoid crisis and the escalation of existing conditions and thus avoid needing to be hospitalised.

Creating a Better Place

- 4.37 On 16 December 2019, Cabinet approved proposals to reprofile existing property service priorities and place corporate land and property at the centre of an ambitious plan for building new homes, creating job opportunities, and re-engaging communities and partners through property / estate co-location and collaboration. As well as these objectives, the strategy aims to significantly reduce the net cost of managing and maintaining corporate land and property assets; the savings from which are expected to make a major contribution towards closing the Council's budget reduction requirement over the medium-term. To deliver this programme, the Capital Strategy and Capital programme include an increased level of planned expenditure and investment (see report elsewhere on the agenda) to drive forward change and regeneration. The 'Creating a Better Place' initiative is part of a wider programme of transformation which is currently under development. Further details are included at paragraph 9.52 of the report.

Housing Strategy

- 4.38 On 10 July 2019, the Council approved an updated Housing Strategy. The strategy aims to provide a diverse Oldham Housing Offer that is attractive and meets the needs of different sections of the population at different stages of their lives. The strategy extends beyond simply building more homes by focussing on the dynamics between people, homes and the wider economy.
- 4.39 The strategy provides a framework to support other housing themed delivery plans relating to issues such as homelessness, residential development, private sector housing and affordable warmth. It also links in to other key Council initiatives such as regeneration through 'Creating a Better Place' and employment through 'Get Oldham Working'. The financial implications of the updated strategy are reflected in this report as well as the latest capital and Housing Revenue Account (HRA) estimates (see reports elsewhere on the agenda).

People Strategy

- 4.40 Recognising that staff are the Council's greatest asset, the overarching People Strategy is regularly reviewed and developed around four themes that focus on organisational design, building organisational capability, working towards being an employer of choice and effective people infrastructure (people, policies and processes) all of which are aligned to the Corporate Plan and underpinned by the Council's ambition, values and behaviours.

Education Provision Strategy

- 4.41 On 21 October 2019, Cabinet approved an Education Provision Strategy which seeks to ensure there are enough school places available to local children and young people. No other local or national body shares this statutory duty to secure sufficient primary and secondary schools, although to provide this the Council collaborates with schools and other partners to deliver the places needed. When seeking to manage the demand and supply of school places, Oldham Council takes into account the diverse range of provision and educational organisation arrangements that are working well and those that are not working as well. When new or changed provision is considered, the Council will seek to influence any proposals to secure high quality educational provision for its citizens.

SEND Strategy and Development Plan

- 4.42 On 18 November 2019, Cabinet approved an updated strategy for supporting children with special educational needs and disability (SEND). This strategy sets out the vision for children and young people with SEND to have a range of support and opportunities available to enable them to become confident individuals, effective communicators, successful learners and responsible citizens, to remain healthy and to achieve the life outcomes to which they and their families aspire.

Green New Deal Strategy

- 4.43 For 2020/21, the Council's existing Climate Change Strategy will be replaced by a new five-year Oldham Green New Deal Strategy. The new strategy will set two targets for carbon neutrality – for the Council as an organisation by 2025 and for the borough as a whole by 2030.
- 4.44 The Oldham Green New Deal Strategy will focus on meeting these targets through a programme of investment in the green economy in Oldham, which will include physical assets such as solar power and low carbon heat infrastructure; innovative approaches to energy generation and consumption for the Council and strategic partners through the creation of a Local Energy Market; building the Green Technology and Services business sector in the borough to 'green' the wider economy; and the Northern Roots project which will create a tourist and business attraction of national significance in the shape of a 165-acre eco-park at Snipe Clough, adjacent to Alexandra Park. The new strategy is still being developed and will be considered by Cabinet in March 2020.

ICT Strategy

4.45 The Council's ICT strategy has been refreshed to ensure it supports the delivery of a customer focused service and is aligned with the Council's Transformation Programme; particularly assets, workforce development and digital by design themes. The ICT Strategy has four identifiable elements:

- Delivering Resident Focussed Services;
- Creating an Agile and Efficient Council;
- Harnessing the Power of Data; and
- Strengthening Governance and Capability.

Information Management

4.46 There are several Information Management policies in place covering Data Protection, Freedom of Information, Environmental Information, Information Risk and Security, Records Management and Transparency. All policies and protocols are designed to ensure the Council and its partner organisations comply with legislative requirements and are protected from reputational risk, enforcement action and monetary penalties by the Information Commissioner's Office.

Other Policies and Strategies

4.47 A summary of other major Council policies and strategies all of which link to and influence the financial planning arrangements of the Council is provided in **Appendix 1**.

5 Local Government Finance Developments and Financial Resilience

5.1 This section of the report highlights recent developments specifically within the Local Government finance arena. Also included is a commentary on the issue of financial resilience which remains topical as Local Authorities continue to deal with the consequences of rising service demand and a decade-long period of funding reductions.

Local Government Finance and the 2019 Spending Review - Housing, Communities and Local Government Parliamentary Select Committee Inquiry

5.2 On 21 August 2019, the Select Committee published the findings of its inquiry into Local Government Finance and the 2019 Spending Review. Its detailed report considered evidence from across the Local Authority sector including a response submitted by Oldham Council in April 2019.

5.3 Whilst the Government has outlined funding levels for 2020/21 in its one-year spending round, it remains challenging to plan effectively for the medium-term in the absence of any individual Local Authority funding estimates for 2021/22 onwards.

5.4 Other findings from the report are as follows:

- Local Government spending is much lower in real terms than it was in 2010. The sector has had little choice but to cut back on the non-statutory services it provides. Net expenditure on planning & development and housing services has more than halved and net spending on highways & transport and cultural & leisure services is down more than 40%. Increasing demand for adult social care means that this trend is set to continue in the absence of additional funding;

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- The move to business rate retention has made the Local Government finance system more complex, less transparent and has increased risks for some Councils. MHCLG needs to reform and make substantial changes to the business rate retention system;
 - Central Government policy has been inconsistent. NHS funding was protected but funding for adult social care was not;
 - Councils were initially incentivised to freeze Council Tax but there is now a Government assumption that they will increase it above inflation. The lack of any Council Tax revaluation since the early 1990s also means that Council Tax is becoming disconnected from property values;
 - The rising demands of social care (both for adults and children) are placing Local Government under increasing financial pressure. These services help some of the most vulnerable in society so must be properly funded;
 - There is a lack of clarity about what is expected of Local Government. This ambiguity makes it difficult to clearly determine how much additional funding the sector needs. In the short-term local government needs increased support from Central Government, but over the medium to longer term other solutions are needed to ensure that Local Government is financially sustainable;
 - Devolution of more responsibilities and revenue raising powers to Local Government has the potential to improve the financial sustainability of the sector and allow better and more integrated services for the public.

5.5 Many of the issues outlined above resonate with the Council as they can be specifically identified as a key determinant of the current financial challenge being faced.

Consultation regarding the financial transparency of Local Authority maintained schools and academy trusts

5.6 This consultation provided an opportunity to comment on proposals that aim to improve transparency of the financial health of Local Authority maintained schools. The Government expressed the view that transparency measures used in academies are generally stronger than those in the maintained school sector. The consultation therefore focussed on using or adapting existing academy measures to help change and improve maintained schools' financial transparency and financial health. The Council provided a response to the consultation in September 2019.

5.7 In line with its own policies on transparency, the Council is supportive of action which will provide more detailed information about the funding and related expenditure within schools and will make available any assistance required to meet new disclosure requirements.

Review into the arrangements in place to support the transparency and quality of Local Authority financial reporting and external audit (The 'Redmond' Review)

5.8 In September 2019, the Secretary of State for Housing Communities and Local Government commissioned an independent review of the effectiveness of audit in Local Authorities together with an assessment of the transparency of financial reporting delivered to users of annual reports and accounts. A call for evidence was a key part of the review in determining whether the requirements of the Local Audit and Accountability Act 2014 are being fulfilled. The review also seeks to test the assurance processes in place regarding value for money arrangements together with financial resilience in local authorities. The Council provided a response to the review in December 2019.

5.9 Whilst the consultation has only recently closed, the Council envisages an outcome that would lead to a change in the focus of Local Government audits resulting in less emphasis on technical accounting issues and more emphasis on financial resilience.

CIPFA Financial Management Code

- 5.10 On 15 March 2019, CIPFA published a consultation on its proposed Financial Management Code that would support its Financial Resilience Index. This consultation concluded on 30 April 2019 with the formal Financial Management Code being published in October 2019. The objectives of this code are “to support good practice in financial management and to assist Local Authorities in demonstrating their financial sustainability”.
- 5.11 The code is based upon a series of principles which will be supported by specific standards of practice which CIPFA consider necessary for a strong foundation. The foundation being the ability to:
- Financially manage the short, medium and long-term finances of a Local Authority
 - Manage financial resilience to meet foreseen demands on services
 - Financially manage unexpected shocks in their financial circumstances
- 5.12 The Financial Management code builds on the success of the CIPFA Prudential Code which requires Local Authorities to demonstrate the long-term financial sustainability of their capital expenditure. The Code is also consistent in that it is based upon principles rather than prescriptions and each Local Authority must demonstrate that they meet the requirements of this Code.
- 5.13 Local Authorities are expected to apply the requirements of the Financial Management Code by 1 April 2020. The Code will therefore provide Local Authorities with a platform for good financial management throughout 2020/21. It is however, noted by CIPFA that Authorities will need to ensure that their governance and management styles fit the requirements of this Code and as such, have indicated that the implementation date of 1 April 2020 is for the commencement of a shadow year. It is therefore expected that by 1 April 2021, Local Authorities are fully compliant with this Code.
- 5.14 The Finance Service is undertaking work to ensure its compliance with this Code and can already evidence it meets many of the requirements. The detailed guidance notes to inform the headline requirements have yet to be issued and once received then a full assessment of any changes can be made. The Finance Service expects to be fully compliant by 2021/22. Any changes required by the wider organisation will also be subject to review.

Fair Funding Review

- 5.15 The Fair Funding review of the Local Government finance system has been underway for several years. The purpose of the review is to examine and update the system for allocating resources among Local Authorities; taking account of relative need and the ability to generate resources locally through taxation. The original timetable set for the review indicated that a new system would be in place for 1 April 2020. However, shortly after the 2019 Spending Round announcement, the Government stated that the implementation of the review findings would be delayed by a year to 1 April 2021. At the LGA Local Government Finance Conference on 7 January 2020, the Minister for Local Government, Luke Hall MP stated good progress was being made with the review and that the Government will continue to try to build consensus – or at least the recognition and confidence that everything has been thoroughly tested – as decisions are made to narrow the range of options for the future of local authority funding.

Business Rates Reform and Revaluation

- 5.16 The Business Rates retention system is likely to change significantly in the medium term. As with the Fair Funding review, the Government has postponed a reset of the system by one year until April 2021. The reset may be full or partial but will result in Business Rates gains and losses being redistributed across all Local Authorities. The reset may also be accompanied by reform of the system to make it simpler to administer and reduce financial risk associated with Business Rates appeals. At the LGA Local Government Finance Conference, the Minister recognised there are questions about some aspects of the way the system operates – like the volatility caused by Business Rates appeals; like whether all Councils benefit from the same opportunity for reward; and whether there could be stronger incentives for Councils to work together across their areas. The Government has also committed to carrying out a fundamental review of the Business Rates tax itself and is seeking views from Councils administering the system.
- 5.17 Also delayed to the same date is the plan to move to 75% rates retention nationally (currently 50%) which is expected to result in the end of the Greater Manchester 100% Business Rates Retention Pilot Scheme.
- 5.18 In addition, Business Rates revaluation is also planned for implementation in April 2021 which will affect the amount of Business Rates paid by the occupiers of commercial premises.
- 5.19 The impact of resetting the system accompanied by a move to 75% rates retention is reflected in the medium-term forecasts presented later in this report.

NHS Foundation Trusts Business Rates Claim

- 5.20 For several years, a number of NHS Foundation Trusts claimed they were entitled to a discount on their Business Rates, and rebates worth up to £1.5bn, on the basis they should have been classified as charities. The claim resulted in a lengthy legal dispute between several Foundation Trusts and 47 Local Authorities. On 12 December 2019, the High Court ruled against the Foundation Trusts, ordered them to pay the Councils' full costs and refused leave to appeal. Although Oldham Council was not a party to the legal case, the result is welcome as it removes a significant element of uncertainty in relation to Business Rates revenue forecasts which, had the case found in favour of the Foundation Trusts, resulted in a significant loss of revenue for the Council. Foundation Trusts still have the opportunity to appeal directly to the Court of Appeal, but it is not yet clear whether they will do so.

Financial Resilience

- 5.21 In order to comply with Section 25 of the Local Government Act 2003; the Authority's Chief Financial Officer (the Director of Finance) is required to report on the robustness of the estimates made for the purposes of the budget calculations and the adequacy of the proposed reserves. This information enables a longer-term view of the overall financial resilience of the Council to be taken. It also reports on the consideration by the Director of Finance of the affordability and prudence of capital investment proposals. The level of general balances to support the budget and an appropriate level of Earmarked Reserves maintained by the Council in accordance with the agreed Council Policy on Earmarked Reserves, are an integral part of its continued financial resilience supporting the fiscal stability of the Council.

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- 5.22 There have been several reports issued on the subject of financial resilience within Local Authorities alongside the publication by the Chartered Institute of Public Finance & Accountancy (CIPFA) of a Local Authority Financial Resilience Index and the implementation of a Financial Management Code. These have been largely prompted by the financial failure at Northamptonshire County Council during 2018, concerns about the financial resilience of other Local Authorities and warnings issued to Councils such as Birmingham City Council and Redditch Borough Council.
- 5.23 Whilst the Council has prepared a detailed revenue budget within a five year Medium-Term Financial Strategy (MTFS), a five year capital programme and continues the closure of accounts within an appropriate timeframe allowing early focus on the coming challenges and a robust financial transformation programme, there continues to be a reliance on the use of reserves to balance the revenue budget.
- 5.24 Between 2016/17 and 2019/20, reserves of £22.937m have been used to underpin the Council's revenue budget. For 2020/21, there is another proposed use of reserves of £10.008m combined with one-off measures totalling £5.150m (as detailed later in the report). The continued use of reserves and one-off measures has had the impact of deferring the changes that are required to balance the revenue budget by on-going sustainable means. The implementation of the next phase of the transformation programme in 2020/21 is expected to begin to address this challenge. However, the expected benefits of the transformation programme will be phased over several financial years. It is anticipated that there will continue to be a need to call on reserves until the programme is complete and this could impact further on the financial resilience of the Council.
- 5.25 As detailed within the Council's Audit Completion Report, presented alongside the Statement of Accounts, the External Auditors concluded that for 2018/19 the Council had made proper arrangements to deliver financial sustainability in the medium term. However, it was also pointed out that "the use of reserves to support revenue budgets in the longer term is not sustainable, and the Council will need to ensure that its longer term financial sustainability does not deplete its reserves to unsustainably low levels". The External Auditor will be reviewing the financial sustainability of the Council as part of the Final Accounts audit programme for 2019/20.
- 5.26 Financial resilience does depend in part on the Council maintaining an adequate level of reserves and balances. The reserves position is set out in Section 13 whilst the overall position with regard to reserves and balances is presented in a report on Reserves, Robustness of Estimates, Affordability and Prudence of Capital Investments. In order to scrutinise the level of reserves held by the Council, the policy on earmarked reserves was considered by the Audit Committee in June 2019 and it is proposed to action the same review again in 2020/21 after the closure of the accounts for 2019/20.
- 5.27 It is important to note that whilst the Council is utilising reserves to support the 2020/21 revenue budget, Members can be assured that Oldham Council remains financially resilient for 2020/21 and is working hard to address the pressures that have arisen over a number of years and therefore continues to be well placed to meet the difficult financial challenges that it faces.

6 2019 Spending Round, Local Government Finance Settlement Technical Consultation, Provisional Local Government Finance Settlement and Ringfenced Grants.

6.1 A key element when determining revisions to the MTFS and the 2020/21 budget reduction requirement is the impact of Government funding announcements. Due to the issue of Brexit dominating the political agenda during 2019/20 the planned Comprehensive Spending Review was instead replaced by a one-year spending round, supplemented by a technical consultation. The Provisional Local Government Finance Settlement was delayed and finally issued on 20 December 2019. The impact of these announcements is set out below.

2019 Spending Round

6.2 On 4 September 2019, the Government presented a one-year 'fast tracked' Spending Round for 2020/21 budgets so that Government departments could prioritise the issue of Brexit. A full multi-year spending review, originally expected in 2019, is now anticipated to be undertaken in 2020. Key funding announcements from September affecting Local Government included:

- No reductions in departmental day to day budgets meaning general grant funding for Local Authorities will be 'rolled over' from 2019/20 to 2020/21;
- The continuation of £2.5bn of existing 2019/20 Social Care Grants into 2020/21 (this meant for Oldham the continuation of £10.858m of improved Better Care Funding and Winter Pressures Grant as well as £1.917m of Social Care Support Grant);
- An additional £1bn grant for Adult and Children's Social Care (an additional £5.037m for Oldham);
- Consultation on the continuation of the 2% Adult Social Care Precept enabling Councils to access a further £0.5bn;
- £422m for homelessness and rough sleeping including an additional £54m in 2020/21 (£0.164m and £0.037m for Oldham);
- The promise of a real terms increase in the Public Health Grant;
- The NHS contribution to Adult Social Care, through the Better Care Fund increasing by 3.4% in real terms in line with the overall NHS long term settlement;
- Increases in the Schools budget by £2.6bn in 2020/21, £4.8bn by 2021/22 and £7.1bn by 2022/23. The minimum per pupil amount for 2020/21 has increased to £3,750 (from £3,500) for primary schools and £5,000 (from £4,800) for secondary schools, with the primary school's minimum per pupil amount then rising to £4,000 in 2021/22 as reflected in **Appendix 2** – Dedicated Schools Grant Extract;
- An increase in High Needs Funding for Schools by more than £700m in 2020/21 to support Children and Young People with Special Educational Needs.

Local Government Finance Settlement 2020/21 - Technical Consultation

6.3 After publication of the 2019 one-year spending round, the Government issued a technical consultation on the 2020/21 Local Government Finance Settlement. In addition to a series of questions concerning the distribution of resources, Council Tax referendum principles and the future of New Homes Bonus, the Government published indicative allocations for 2020/21 Social Care Grant, which for Oldham meant additional grant of £5.037m. The Council provided a response to the consultation in October 2019 to request changes to the methodology for distributing social care funding to take full account of the ability to raise Adult Social Care Precept revenues locally.

Provisional Local Government Finance Settlement (LGFS)

- 6.4 The 2020/21 Provisional LGFS was released on 20 December 2019. It was announced by the Secretary of State for Housing, Communities and Local Government the Rt. Hon Robert Jenrick MP, and set out the Government's formal proposals for the funding of English Local Authorities in 2020/21. The Provisional LGFS covered the 2020/21 financial year only. It provided no information in relation to the Fair Funding review which will lead to the implementation of a new Local Authority funding system from 2021/22.
- 6.5 Included in the Provisional Settlement was key funding information for Local Authorities in relation to:
- The Settlement Funding Assessment;
 - Confirmation of baseline funding levels for 2020/21;
 - Council Tax referendum limits;
 - New Homes Bonus Grant allocations for 2020/21; and
 - Confirmation of previously notified 2020/21 grants.
- 6.6 As this was the Provisional Settlement, Councils had the opportunity to submit consultation comments. The Government issued specific consultation questions in relation to the Settlement for which the Council provided a response by the deadline of 17 January 2020.
- 6.7 The Final Local Government Finance Settlement has yet to be notified and the timing is yet unclear. In previous years this has been early to mid-February. This will give confirmation of grant notifications already received although there may be some variation in levels of funding. Any revisions to grant will be incorporated into the financial forecasts as appropriate.

Settlement Funding Assessment

- 6.8 The Settlement Funding Assessment (SFA) is a Government calculated figure which includes the Revenue Support Grant (RSG) and the Baseline Funding Level (BFL). The BFL comprises Business Rates Top Up Grant (the main unringfenced grant) plus the Government's assessment of Business Rates that can be collected locally (known as Business Rates Baseline). GM Districts do not currently receive any RSG as it is included within the funding arrangements for the Greater Manchester 100% Business Rates retention pilot scheme.
- 6.9 The figures now presented in the Provisional LGFS and the following table show a national increase in SFA from £15.958bn in 2019/20 to £16.198bn in 2020/21. This represents a 1.50% increase in national funding. This is in the main due to the revision of the Small Business Rates Multiplier from 49.1p in 2019/20 to 49.9p in 2020/21, an increase of 1.63%.

Table 2 – National Position

2019/20 £m	SFA for England	2020/21 £m
15,958	Settlement Funding Assessment	16,198
	of which:	
653	Revenue Support Grant	1,613
15,305	Baseline Funding Level	14,585

Note: Government figures present Revenue Support Grant amounts differently for each year due to some business rates retention pilot schemes ceasing at the end of 2019/20 so any comparison needs to be made on the total SFA figure

Oldham Council

- 6.10 The Oldham SFA presented in the table below shows an increase of £1.311m from £96.899m in 2019/20 to £98.210m in 2020/21. This represents a 1.35% increase, lower than the increase in overall national funding. This is due to the Public Health Grant, included within Oldham's SFA figures not yet having been revised to reflect a real terms increase for 2020/21.

Table 3 – SFA for Oldham

2019/20 £000	SFA for Oldham	2020/21 £000
96,899	Settlement Funding Assessment of which:	98,210
0	Revenue Support Grant	0
96.899	Baseline Funding Level	98,210

- 6.11 The table below shows the contingent elements included in the Government's Settlement Funding Analysis figures with only the Baseline Funding Level and Revenue Support Grant being uplifted in line with the Business Rates multiplier increase.

Table 4 – SFA Detail for Oldham

Funding Stream	2019/20 £000	2020/21 £000	Change £000
Baseline Funding Level	63,753	64,792	1,039
Revenue Support Grant	16,701	16,973	272
Public Health Grant	16,445	16,445	0
Total Settlement Funding Assessment	96,899	98,210	1,311

- 6.12 Whilst the SFA figures for Oldham show an increase of £1.311m it is important to note that the change in SFA is not supported by a corresponding increase in grant funding and the actual financial implications of the settlement are included in the following paragraphs.

Core Spending Power

- 6.13 Published alongside the Provisional LGFS is the Government's estimate of Core Spending Power (CSP). This is the Government's assessment of the expected revenue resources available to Local Authorities in 2020/21 based on Office of Budget Responsibility estimates.
- 6.14 The Provisional LGFS includes detail by individual Authority and the amounts for Oldham are shown in the table below.

Table 5 – Core Spending Power for Oldham

2019/20 £000	Core Spending Power for Oldham	2020/21 £000
188,358	Core Spending Power	199,990

- 6.15 Whilst the settlement Core Spending Power implies the Council has £11.632m more resources than in 2019/20, the Government's CSP figures include assumptions as to the growth of the Council Tax Tax Base and annual tax increases (2% for general Council Tax and 2% for the Adult Social Care Precept) that are not in line with the Council's own budget assumptions and estimates.

Unringfenced Main Government Grants

Business Rates Top Up

- 6.16 Business Rates top up grant for 2020/21 is £41.048m as notified in the Provisional LGFS. This differs from the original estimate for 2020/21 which had assumed the implementation of 75% Business Rates Retention nationally which, as detailed at paragraph 3.33 has now been deferred until 2021/22. However, when calculated on a like for like basis, there is an increase in grant compared with 2019/20 allocations.

Grants in Lieu of Business Rates

- 6.17 Grants in lieu of Business Rates are now forecast to be £11.230m for 2020/21. This represents compensation for historic Government policy announcements and events that have the impact of reducing the amount of collectable Business Rates revenue. These grants are effectively a substitute for Retained Business Rates income. Grant compensation has arisen from policy announcements that have included:

- Caps on increases in the Business Rates multiplier for 2014/15, 2015/16 and post 2018/19;
- The doubling of Small Business Rates Relief (SBRR) and threshold changes for 2020/21;
- The additional SBRR compensation for loss of supplementary multiplier income;
- The continuing cost of providing the retail discount; and
- Other small reliefs for discretionary schemes and supporting small businesses.

- 6.18 The compound effect of these changes coupled with the impact of appeals means the calculation of these amounts has become incredibly complex and burdensome. Final figures are derived from the Council's Central Government return (NNDR 1) which was submitted by the due date of 31 January 2020. However, the variation in the grants from the original estimate has resulted in an equal and opposite adjustment to Retained Business Rates income. The impact of further small business rate relief discounts will be calculated separately but will also result in no net variation to the overall budget.

Revenue Support Grant and Public Health Grant

- 6.19 As part of the arrangements for participating in the GM 100% Business Rates Retention Pilot Scheme, the Council no longer receives separate funding allocations for Revenue Support Grant and Public Health Grant. Furthermore, the ringfence that normally applies to Public Health Grant funding has been removed. This funding has been replaced by a higher level of Retained Business Rates and Top Up Grant. The equivalent level of funding rolled into the 100% Business Rates Retention Pilot Scheme is Revenue Support Grant of £16.973m and Public Health Grant of £16.445m. The Provisional LGFS provided indicative Public Health Grant allocations at 2019/20 levels pending confirmation of 2020/21 amounts by the Department of Health. Should the Public Health Grant increase upon formal notification then this will be passported in full to the service.

Other Unringfenced Government Grants

Improved Better Care Fund

6.20 The Provisional LGFS confirmed the Improved Better Care Fund for 2020/21 in line with that of which the Council has already been notified at a value of £10.858m. This figure has now been presented as a single allocation replacing the grants formerly identified as:

- Improved Better Care Fund – Settlement 2015 £8.150m
- Improved Better Care Fund – Spring Budget 2017 £1.586m
- Winter Pressures Grant £1.122m

6.21 Of this funding, the £8.150m Improved Better Care Fund announced in the 2015 settlement had previously been assumed to continue but the additional Improved Better Care Fund at a value of £1.586m per annum and the Winter Pressures Grant at a value of £1.122m were originally only guaranteed up to 31 March 2020 and were assumed to cease from 2020/21. Hence this announcement increases the total grant to be received in 2020/21 by a combined £2.708m. In line with previous years, this funding will be passported directly to Community Services and Adult Social Care.

Social Care Support Grant

6.22 The Provisional LGFS also confirmed 2020/21 Social Care Support Grant. This grant has been provided in response to Local Authority concerns with regard to pressure on Adult and Children's Social Care services. Whilst the Council received £1.917m Social Care Support Grant in 2019/20 it was not expected to continue. This is therefore a new grant for 2020/21 and is £5.037m more than was received in 2019/20. It provides resources of £6.954m higher than previously anticipated. The grant is not ringfenced and conditions or reporting requirements were not attached to the use of the funding. Consequently, this grant will support Council investment in Children's Social Care and Adult Social Care in 2020/21 as well as compensate the Council for its previous investment in these service areas.

Independent Living Fund Grant

6.23 The Council took over responsibility from Government for the functions associated with the former Independent Living Fund during 2015. The Provisional LGFS has confirmed that this grant will continue however individual Authority allocations have not been provided. The Government has however confirmed that the national amount remains the same as in 2019/20 and the estimates for Oldham have been updated to reflect this continuation, thus increasing the assumed grant by £0.080m to a value of £2.580m. This funding has been passported in full to the service as previously approved as part of the 2016/17 budget process.

New Homes Bonus Grant

6.24 The 2020/21 LGFS Technical Consultation document proposed amendments to the New Homes Bonus Grant through an adjustment to the variable baseline growth element of the grant.

6.25 The Secretary of State, following consultation feedback, has decided not to make any changes to the payments baseline resulting in no change to the calculation methodology. For 2020/21 Oldham Council will receive a New Homes Bonus Grant allocation of £0.598m which is £0.240m more than previously forecast due to higher than expected house building in 2019/20.

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- 6.26 The Secretary of State has announced that the Government will consult in Spring 2020 on the future of the New Homes Bonus as a housing incentive. The Government consultation will consider the movement to a more targeted approach which rewards Local Authorities where they are ambitious in delivering new homes and which is aligned with other measures around planning performance.

Homelessness Funding

- 6.27 In line with the Chancellor's confirmation that there will be £422m of specific funding to address homelessness and rough sleeping, grant matching at least the level received in 2019/20 will continue in 2020/21. Originally, the £0.194m Flexible Homelessness Support Grant received in 2019/20 was expected to be provided on a one-off basis. However, this has now been confirmed to continue in 2020/21. In addition, the Government announced a further £0.164m of Homelessness Reduction Grant. These grants totalling £0.358m for 2020/21 will be passported directly to the Strategic Housing service.

Rough Sleeping Initiative Grant

- 6.28 On 28 January 2020 the Government provided the Council with a new allocation in regard to 2020/21 Rough Sleeping Initiative funding. The Council will receive £0.037m to provide support and further reduce rough sleeping. As with funding for Homelessness, this grant will be passported to services.

Housing Benefit Administration Grant

- 6.29 The Government will continue the payment of this unringfenced grant which compensates Local Authorities for the administration of the Housing Benefit system. The Department for Work and Pensions has notified that the grant will be £0.778m for 2020/21 (£0.077m higher than originally anticipated).

Council Tax Administration Grant

- 6.30 The Government provides an unringfenced grant which compensates Local Authorities for the administration of the Council Tax system. The original February 2019 budget estimates for 2020/21 assumed this funding would continue to reduce in line with previous years. However, the Government, on 29 January 2020, provided provisional 2020/21 allocations (to be confirmed April 2020) which have not dropped as steeply as previous years providing an additional £0.020m of funding. This is being deployed to reduce the Council's budget reduction requirement.

Department for Work and Pensions (DWP) New Burdens Grant

- 6.31 The Department for Work and Pensions (DWP) provides funding allocations to support the implementation of new incentives in relation to the administration of benefits. The DWP has given notification that the grant for 2020/21 will be at a value of £0.122m.

Lead Local Flood Authority Grant

- 6.32 The Council, as a Lead Local Flood Authority also receives a grant from the MHCLG and on 13 June 2017 received confirmation of 2017/18 allocations and provisional funding allocations up to the 2019/20 financial year. The estimates in the MTFs assume funding continues into 2020/21 as per previous allocations at a value of £0.012m in 2020/21.

Summary of Other Unringfenced Government Grants

- 6.33 A summary of all other notified / anticipated unringfenced grants is shown in Table 6 below. Total funding equals £22.657m which is £10.596m higher than the forecasts presented to Council on 27 February 2019.

Table 6 – Other Unringfenced Government Grants

	2020/21 Forecasts at 27/02/19 £000	Change £000	2020/21 Revised Forecasts £000
Improved Better Care Fund Grant	8,150	2,708	10,858
2020/21 Social Care Support Grant	0	6,954	6,954
Independent Living Fund (ILF) Grant	2,500	80	2,580
New Homes Bonus Grant	358	240	598
Flexible Homelessness Support Grant	0	194	194
Homeless Reduction Grant	0	164	164
Rough Sleeping Initiative Grant	0	37	37
Housing Benefit Administration Grant	701	77	778
Council Tax Administration Grant	340	20	360
Department for Work and Pensions (DWP) New Burdens Grant	0	122	122
Lead Local Flood Authority Grant	12	0	12
Total Other Unringfenced Government Grants	12,061	10,596	22,657

Council Tax & Referendum Limits

- 6.34 Also included within the Provisional LGFS was information regarding Referendum Limits for Council Tax increases.

Council Tax Increases

- 6.35 Within the 2020/21 Provisional LGFS, the Government confirmed the referendum limit for general Council Tax at a maximum increase of 2% for 2020/21. This is 1% lower than for 2019/20. As in previous years, Parish Councils remain excluded from the referendum limits.

Adult Social Care Precept

- 6.36 The threshold for Adult Social Care (ASC) Precept increases is at a maximum of 2% for 2020/21. There remains a requirement to evidence that the funds generated from this precept are used to finance Adult Social Care expenditure.

Mayoral Combined Authorities

- 6.37 Following the consideration of previous consultation responses, the Government proposes not to set Council Tax referendum principles for Mayoral Combined Authorities in 2020/21. The Greater Manchester Combined Authority considered its initial budget position on 31 January and has agreed in principle a precept increase of £14. This will be confirmed at a meeting on 14 February.

Police and Crime Commissioners

- 6.38 The Government has set Council Tax referendum principles for Police and Crime Commissioners (including the GM Mayoral Police and Crime Commissioner Precept). This information was provided alongside the Police Funding Settlement on 22 January 2020. The Government has given Police and Crime Commissioners the flexibility to increase funding by setting the Council Tax referendum limit to £10 for a Band D property. At a meeting on 31 January the GMCA Police and Crime Panel agreed in principle to increase the precept by £10. The position will be confirmed at a meeting on 14 February 2020.

Ringfenced Grants

- 6.39 The estimates underpinning the Council's MTFS are based on ringfenced grants being allocated to fulfil their intended purpose. Such grants include the Dedicated Schools Grant, the Troubled Families Grant, Housing Benefit Subsidy Grant and Discretionary Housing Payments. Ringfenced grant assumptions are based on the allocations that have been notified by the funding body. It is important to note that any spending above the ringfenced grant level can impact on the Council's financial position. It is essential that services funded by ringfenced resources are managed with the same level of challenge and scrutiny as those funded by general resources.

Dedicated Schools Grant

- 6.40 The Dedicated Schools Grant (DSG) is a ringfenced grant payable to Local Authorities by Government for the funding of schools. For several years, the Government has been changing the way it distributes schools funding via the DSG from locally agreed arrangements towards a standard means of allocating resources. This is known as the National Funding Formula.
- 6.41 On 16 December 2019, Cabinet considered a report regarding the Schools National Funding Formula which explored how funding for Schools and Academies should be distributed in 2020/21. The overall DSG allocation has now been confirmed at £262.121m. Further details regarding that report and the DSG is included in **Appendix 2**.

Troubled Families Programme

- 6.42 The Troubled Families Programme aims to support families with deep rooted problems. It provides much-needed support to get people's lives back on track. The current Troubled Families Programme was rolled out in England in April 2015 and replaced the first programme which had been in place since 2012. The current programme was due to end in March 2020. On 5 January 2020, the Secretary of State for Housing, Communities and Local Government announced £165m of funding to enable the programme to continue in 2020/21. Funding is provided via devolved arrangements through the GMCA although specific District allocations have yet to be determined and it will be incorporated into the budget upon notification.

Housing Benefit Subsidy Grant

- 6.43 The Council receives Housing Benefit Subsidy Grant funding from the Department for Work and Pensions (DWP). Allocations are determined on the submission of a Local Authority's initial estimate for its anticipated levels of rent allowances and rent rebates within a financial year. A revised estimate takes place mid-year. In addition to these estimates the DWP also allocates an amount for the administration of the scheme which is based on the number of new housing benefit claims and overall caseload.
- 6.44 In 2019/20 the Council is currently forecasting £50.433m of funding for Housing Benefit from the DWP. This allocation is likely to be reduced during 2020/21 as Housing Benefit caseloads fall as a direct result of the transition to Universal Credit (UC). The estimated 2020/21 position will be captured following the Council's submission of updated information in accordance with the statutory deadline of 1 March 2020.

Discretionary Housing Payments (DHP)

- 6.45 The Council is awaiting notification of DHP grant allocations for 2020/21. For the 2019/20 financial year, the amount received by the Council was £0.638m and it is expected that the allocation for 2020/21 will be at a similar level. When received, this will be treated as a ringfenced grant as Authorities are required to provide a statement of grant usage and to return any unspent DHP allocation to the Government at the end of each financial year.

7 Locally Generated Income

7.1 As Government grant funding has reduced up until 2020/21, locally generated income from Council Tax and Business Rates has provided an increasing proportion of funding for Council services.

Retained Business Rates

7.2 Included within Section 3 of the report is an explanation of the operation of both the GM 100% Business Rates Retention Pilot Scheme and Business Rates Pooling arrangements for 2020/21.

7.3 The 100% Business Rates retention pilot scheme so far is proving to be a success and is generating additional gains for both Oldham, other participating Districts and the GMCA. The forecasts included in this report show a benefit to Oldham of participating in the pilot scheme of some £1.413m which will be carried forward as a reserve from 2019/20 to support the 2020/21 budget. Although Business Rates revenue growth remains uncertain, it is hoped similar gains will be available in the final year of the pilot scheme and these will be assessed as and when they occur.

7.4 The original budget estimates for 2020/21 Retained Business Rates (approved by Council on 27 February 2019) at a value of £40.040m assumed that the Government would have introduced 75% Business Rates Retention arrangements with effect from 2020/21. On 16 December 2019, Cabinet approved revised estimates including a one year continuation of the operation of the GM 100% Business Rates Retention Pilot Scheme. The Council's share of Business Rate revenues at that time were projected to be £50.547m.

7.5 Under the current Local Government finance system introduced on 1 April 2013, local billing authorities are required to prepare and submit to the MHCLG a locally determined and approved Business Rates forecast through the National Non-Domestic Rates (NNDR 1) return by 31 January each year. On 16 December 2019 Cabinet delegated the decision to vary the final Business Rates forecast and hence the Business Rates Tax base, if required, to the Deputy Leader and Cabinet Member for Finance and Corporate Services in consultation with the Director of Finance.

7.6 As a result of confirmation of Business Rates multipliers provided as part of the Provisional LGFS and the submission of the NNDR1 return including the calculation of grants in lieu of Business Rates (which offset adjustments to Business Rates income), a delegated decision was taken on 27 January 2020 to confirm the Business Rates Tax Base for 2020/21 at £50.424m.

Council Tax

7.7 Council Tax is the largest single revenue stream that is used to support the Council's revenue budget. Council Tax and Adult Social Care Precept income changes each year due to changes in the tax base (increase/decrease in chargeable Band D equivalent properties), fluctuations in collection rates and the Council's annual decisions on the level of the tax.

Council Tax Tax Base

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

- numbers of properties within the boundary of the borough which determines the number of Band D equivalent properties upon which the Council Tax calculations are based; and
- anticipated level of Council Tax that will be collected known as the Collection Rate.

7.9 On 16 December 2019 Cabinet considered and approved the calculation of the Council Tax Tax Base for 2020/21. The approved tax base has increased by 970 from 56,693 to 57,663. This supports an increase in the overall level of Council Tax that the Council can use for 2020/21. The tax base calculations are summarised in **Appendix 3**.

7.10 The tax base beyond 2020/21 is estimated to increase by 500 Band D equivalent properties per annum to 2024/25 resulting from the building of new properties, fewer households claiming Council Tax Reduction support and empty properties being brought back into use.

Council Tax Policy

7.11 Members will recall that the Council Tax policy approved within the 2019/20 budget was that for 2020/21, the previous policy would continue. The Council would therefore increase Council Tax by 2% for the Adult Social Care Precept (ASCP) and 1.99% for general purposes; an overall increase of 3.99%. The capping criteria for 2020/21 as advised at paragraph 6.34 would permit this approach however, mindful of the financial position of the Authority but also the impact of a further increase in Council Tax on the citizens of Oldham, a revision to Council Tax policy is therefore proposed. Whilst the 2% increase in relation to the ASCP will continue, Council Tax for general purposes will increase by 0.99% rather than 1.99%. In overall terms the Oldham Council Tax will increase by 2.99%. This is of course subject to confirmation at Budget Council on 26 February 2020.

General Increase in Council Tax

7.12 Having regard to the revised Council Tax policy with a general Council Tax increase of 0.99%, the total 2020/21 Council Tax generated will be at a value of £87.787m.

Adult Social Care Precept

7.13 The revenue raised from the ASCP must be ringfenced to support the increased costs of Adult Social Care, in part caused by Government sanctioned increases in the National Living Wage and the consequent impact on the cost for provision of care. The Government's calculation of Core Spending Power assumes this precept is levied by Oldham and by all Councils. It is proposed that the precept, which has to be highlighted separately on the face of the Council Tax bill, will be levied by the Council at a 2% increase. This will generate an additional £1.873m Council Tax income for 2020/21 (inclusive of an additional £0.015m generated from the increase to the tax base).

7.14 In addition, the increase to the tax base for 2020/21 also impacts on previous years ASCP figures and generates an additional £0.057m on top of historic amounts which will, alongside all other precept income, be passported to Adult Social Care services.

7.15 To ensure that Councils are using income from the precept for Adult Social Care, Councils are required to publish a description of their plans, including changing levels of expenditure on Adult Social Care and related services which requires sign off from the Council's Chief Finance Officer (the Director of Finance).

Increased level of Council Tax income

7.16 Taking the General Council Tax increase and the ASCP together represents an overall increase in Council Tax of 2.99% for Oldham Council services as detailed in Section 15.

7.17 Members are reminded that the Council is required to calculate its Relevant Basic Amount (RBA) of Council Tax to determine whether there is a requirement to hold a referendum about a Council Tax increase above a level that the Government considers excessive.

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- 7.18 This “excessiveness” is determined annually and for 2020/21 was detailed in ‘The Referendums Relating to Council Tax Increases (Principles) (England) Report 2020/21 (draft)’ which was published as part of the Provisional LGFS. For 2020/21, the RBA consists of an increase in the RBA of Council Tax comprising a maximum of 2% for general Council Tax plus 2% for the Adult Social Care Precept.
- 7.19 This means that locally for Oldham, the 2020/21 maximum Council Tax increase available is 4%. Any increase below 4% would not therefore be classed as excessive and as such a proposed increase of 2.99% would not trigger a referendum.

Council Tax Reduction (CTR) Scheme

- 7.20 The CTR Scheme (see report elsewhere on the agenda), sets out how the Council supports residents who qualify for assistance in paying Council Tax. Councils are required by statute to put in place a Local CTR scheme. Any changes to the scheme for the year ahead must be considered and approved annually by Council by no later than 10 March of the preceding financial year. The proposed scheme for 2020/21 is unchanged from the 2019/20 scheme. The financial impact of the Council’s proposed scheme is reflected in the Council Tax Tax Base estimates approved by Cabinet on 16 December 2019 which, in turn, underpins the budget estimates included within this report.

Council Tax Empty Property Premium

- 7.21 Following a legislative change in 2018 to the Rating (Property in Common Occupation) and Council Tax (Empty Dwellings) Act 2018, the Council currently applies a Council Tax Empty Property Premium of 100% for properties empty and unfurnished for over two years. This policy was introduced from 1 April 2019 to encourage owners of empty properties to bring properties back into use and to help mitigate the impact of reduced Central Government funding.
- 7.22 As part of the revised legislation, Councils were also given the power from 1 April 2020 to introduce additional premiums for properties that have been empty and unfurnished for between five and ten years (200%) and over ten years (300%). However, the Council has chosen not to adopt this additional increase.

Parish Precepts

- 7.23 Parish Precept income is collected by the Council on behalf of the Saddleworth and Shaw and Crompton Parish Councils. These precepts are included on the Council Tax bills of properties falling within these parish areas. The revenue collected is for the benefit of each parish and thus has no impact on the financial projections presented in this report. The revised 2020/21 Parish Precepts and the 2020/21 growth in the tax base for both parishes produces an increase of £0.002m which increases the total parish precepts to a value of £0.280m.

8 2019/20 Revised Budget and Year End Forecasts

8.1 The starting point for the consideration of the 2020/21 budget is the current 2019/20 budget position. Since the 2019/20 budget report was approved by Council on 27 February 2019, there have been a number of further one off funding allocations and amendments. These are detailed in the table below. The budget for 2019/20 has therefore increased to £228.412m as reported in the Month 8 financial monitoring report elsewhere on the agenda. The revised 2019/20 budget therefore becomes the revised base budget for 2020/21.

Table 7 – 2019/20 Revised Revenue Budget

	£000	£000
Net Revenue Budget as at 1 April 2019		215,294
Adjusted for use of reserves		8,818
Adjusted Net Revenue Budget		224,112
New One-Off Grant Funding Adjustments		
Capital Grants	2,983	
Opportunity Area Grant	1,000	
School Improvement Monitoring & Brokerage Grant	254	
Department of Health and Social Care Grants	211	
DCLG Future High Streets Fund	150	
Brexit Preparation Funding Grant	105	
Staying Put Grant	63	
Verify Pensions Earnings Service Grant	39	
Extended Rights to Free Travel Grant	36	
Extended Personal Advisor Duty Implementation Grant	21	
Retail Discounts New Burdens Grant	9	
Mayoral Grant Reduction	(571)	
Total Budget Adjustments		4,300
Total Revised Net Revenue Budget		228,412

8.2 The table below details the 2019/20 Month 8 year-end forecast position against budget for each Portfolio after the planned transfers to and from reserves:

Table 8 – 2019/20 Month 8 Year-End Forecast Position against Budget

Portfolio	Budget £000	Forecast £000	Variance £000
People and Place	62,759	64,826	2,067
Community Services and Adult Social Care	60,002	61,038	1,036
Children's Services	50,677	51,864	1,187
Reform	32,263	32,190	(73)
Commissioning	9,923	10,074	151
Chief Executive	7,645	7,393	(252)
Capital, Treasury and Corporate Accounting	5,143	2,394	(2,749)
NET EXPENDITURE	228,412	229,779	1,367

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- 8.3 The forecast outturn is an adverse variance of £1.367m and there are a range of services that are contributing to this current forecast as follows:
- 8.4 The People and Place Portfolio has a reported pressure of £2.067m within which Economic Development is reporting an overspend of £1.765m across Catering and Cleaning, Estates and Planning and Infrastructure. There is a small adverse variance in Enterprise and Skills of £0.097m and an adverse variance of £0.525m in Commercial Services where the projected non achievement of the Traded Services budget option (£0.750m) is offset by savings within ICT and Customer Services (£0.225m). The pressures are offset by a forecast underspend of £0.320m in Environmental Services.
- 8.5 Community Services and Adult Social Care is reporting an overspend of £1.036m, predominantly linked to the rising cost and demand for Community Care, offset by increases in both grant funding and income recovery from a variety of sources.
- 8.6 The pressure of £1.187m within Children's Services represents a decrease of £0.180m on the £1.367m forecast overspend reported at quarter 2. Education and Early Years is predicting a £1.455m overspend after the planned application of £0.543m of reserves, conversely Children's Social Care is now reporting a £0.268m underspend after the application of £0.469m of reserves, overturning the pressure of £0.120m reported at quarter 2.
- 8.7 Smaller variances prevail in the Commissioning Portfolio (an overall adverse variance of £0.151m), Chief Executive (a favourable variance of £0.252m) and Reform (a favourable variance of £0.073m). However, the major underspending area is Capital Treasury and Corporate Accounting at £2.749m largely due to the reprofiling of the capital programme leading to reduced spending on capital financing.
- 8.8 Management action has been initiated across all service areas to review and challenge planned expenditure and to maximise income, thus helping to bring expenditure back in to line. Whilst it is evident that the position continues to improve, the effectiveness of management actions will continue to be closely monitored by Directorate Management Teams with regular progress updates being provided to Portfolio holders and Senior Officers. A further reduction in the over spending is anticipated and should be evidenced in the month 9 report that will be presented to Cabinet in March. The current expectation is that there will, at the very least, be a balanced position by the end of the year.
- 8.9 However, it is evident that underspending on Capital and Treasury Management is underpinning the financial position and there are a range of underlying pressures that will need addressing for future years. Section 9 of the report deals with these matters in the context of 2020/21.

9 Base Budget Adjustments and Revisions to 2020/21 Budget Estimates

- 9.1 The Council regularly reviews the assumptions and methodologies used to calculate the budget reduction requirement as part of its Medium Term Financial Strategy. This is informed by new or updated funding notifications from Central Government, trends in inflation, other Government policy announcements and changes in issues directly under the influence of the Council. The estimates underpinning the calculation of the budget reduction requirement are based on current (2019/20) performance and service delivery levels adjusted for the financial impact of previously approved budget reductions, policy decisions, expenditure pressures, and additional burdens arising from new legislation or Central Government policy initiatives.
- 9.2 Members will recall that the initial budget reduction requirement for 2020/21 that was included in the Budget Report for 2019/20 and approved by Council on 27 February 2019 was £22.871m. This estimate was based on a series of assumptions as 2019/20 was the last year of the four year (2016/17 to 2019/20) Comprehensive Spending Review (CSR) period.
- 9.3 The overarching challenge in preparing a MTFs covering the period from 2020/21 was that Central Government has only advised of guaranteed funding allocations on major funding streams until the end of 2019/20, in line with the submission by the Council of an Efficiency Plan in September 2016. This made it extremely difficult to confidently predict the budget reduction requirement for financial years beyond 2019/20.
- 9.4 It had also been expected that a new Comprehensive Spending Review (CSR) would have taken place during 2019/20 and this would have provided the opportunity to improve forecasting over the next CSR period. As advised earlier in the report, the political uncertainty caused by the Brexit process has delayed the CSR and Government funding estimates beyond 2020/21 remain subject to revision.
- 9.5 However, during 2019/20 work has taken place to update and revise the budget reduction requirement based on a review of base budget adjustments, revised cost pressures (adverse and favourable) influenced by local and national factors and Government funding changes. The initial announcement of Government grant funding was received as part of the one-year Spending Round which was announced on 4 September 2019 with a further funding notification received on 3 October 2019 as part of the Technical Consultation on the 2020/21 LGFS. These notifications were confirmed in the Provisional LGFS on 20 December 2019 as detailed in Section 6 of this report.
- 9.6 Taking into account all of the above, this section of the report explains the revised budget estimates underpinning the calculation of the updated 2020/21 budget reduction requirement. The starting point for the calculation is the latest approved net revenue budget for 2019/20 of £228.412m. It is then necessary to exclude one-off funding adjustments of £4.300m, in line with the Month 8 monitoring position. As shown in the table below, the starting point for the 2020/21 estimates is £224.112m as approved by Council on 27 February 2019.

Table 9 – Base Budget Adjustment

Estimated revenue budget position 2020/21	2020/21 £000
2020/21 Net Revenue Budget at Month 8	228,412
Adjustment for new one off funding in 2019/20	(4,300)
Prior Year Adjusted Net Revenue Budget	224,112

Revisions to Expenditure Estimates

- 9.7 The following paragraphs present the initial revenue budget estimates for 2020/21 as calculated at February 2019, any revisions to the estimates and the updated position for 2020/21. This section of the report explains in detail how the original budget reduction requirement estimate for 2020/21 of £22.871m has been updated to a revised figure of £18.169m.

One-Off Funding Adjustments

- 9.8 There have been no changes to one-off funding adjustments that were included in the estimates approved in February 2019. The three issues highlighted as producing a net increase to the budget in 2020/21 of £2.145m are unchanged as follows.

Flexible use of Capital Receipts 2019/20

- 9.9 In 2019/20, the Council utilised £3.000m of capital receipts to finance elements of Oldham's transformational agenda. The initiatives being financed could only be supported by the use of capital receipts for one year although the associated expenditure continues into future years. Therefore, as the one-off adjustment reverses in 2020/21 it reduces resources available to the Council and increases the budget reduction requirement. There is the opportunity to again utilise capital receipts in 2020/21 which is explained in Section 11 of this report.

Adjustment for one-off funding for Early Help

- 9.10 Members will recall that in 2019/20 the Early Help service was partially financed from a one-off £0.750m revenue budget contribution to allow a review of the whole Early Help delivery model to be undertaken. This adjustment reflects the removal of that expenditure funded by one-off resources. Additional investment in the Early Help Service is covered later in this section of the report.

Adjustment for one-off 2019/20 Brexit Preparation Grant

- 9.11 The base budget figures also require adjusting for grants that were notified for 2019/20 only and therefore the associated cost is expected to discontinue. For 2019/20 the only one year grant allocation received was the Brexit Preparation Grant (£0.105m) which has not been notified as continuing for 2020/21.

Summary of One-Off Funding Adjustments

- 9.12 Table 10 therefore shows that the one-off funding adjustments initially anticipated for 2020/21 of £2.145m remain unchanged.

Table 10 – One-Off Funding Adjustments

	2020/21 Forecasts at 27/02/19 £000	Change £000	2020/21 Revised Forecasts £000
Flexible use of Capital Receipts 2019/20	3,000	0	3,000
Adjustment for one off funding for Early Help	(750)	0	(750)
Adjustment for one off funding in 2019/20 Brexit Preparation Grant	(105)	0	(105)
Total other base adjustments	2,145	0	2,145

2020/21 Increased Expenditure (Approved 27 February 2019)

- 9.13 A number of increases in 2020/21 expenditure were approved by Council on 27 February 2019. The reasons for these planned spending increases and revisions to the estimates are presented in paragraphs 9.14 to 9.19.

Children's Social Care Operating Model

- 9.14 There has been a dramatic increase in the cost base of Children's Social Care over the last three financial years, requiring both a reliance on reserves and additional resources to be included within the base budget. In line with both regional and national trends, demand for services has continued to grow. Recognising the need for a fundamental change in service delivery to address both operational and financial pressures, a revised Children's Services Operating Model and Structural Resources Plan was developed. This is a three-year strategic recovery plan that is designed to fundamentally address the challenges faced within Children's Social Care.
- 9.15 In addition to an increase of £4.611m in the 2019/20 revenue budget for Children's Social Care, the strategic recovery plan required a further £0.671m of resources in 2020/21 to complete the planned investment programme approved in 2019/20.
- 9.16 The recovery plan anticipates the delivery of £1.660m of operating efficiencies in 2020/21 which is reflected alongside previously approved budget reduction proposals later in this report. It is still considered that the £1.660m is deliverable. However, reserves will be set aside to support any shortfall in efficiencies in 2020/21.

Street Cleaning

- 9.17 On 20 August 2018, Cabinet approved a report allocating additional resources to support a Council initiative to promote street cleaning and enforcement. The 2020/21 impact of this decision is the requirement to include a further £0.180m within the budget.

Coroners Service

- 9.18 Members will recall that Coroners services for Oldham are provided as part of a single service for Bury, Rochdale and Oldham. The service is led by Rochdale and the Council has been informed that an additional £0.020m is required in 2020/21 (in addition to the £0.180m provided in 2019/20). The Coroner is an independent judicial office holder and not directly employed by the lead Local Authority. Consequently, the Council's influence over Coroner expenditure is limited.

Development Fund

- 9.19 The original estimates for 2020/21 included a general provision of £1.000m for budget growth items. As the budget estimates have been fundamentally reviewed and fully updated to reflect all specific adjustments, this general provision is no longer required.

Summary of 2020/21 Increased Expenditure Items (Approved 27 February 2019)

- 9.20 The changes to the estimates described above are summarised in Table 11 and show the anticipated increase in expenditure of £1.871m has reduced by £1.000m to £0.871m.

Table 11 - 2020/21 Increased Expenditure Items (Approved 27 February 2019)

	2020/21 Forecasts at 27/02/19 £000	Change £000	2020/21 Revised Forecasts £000
Children's Social Care Operating Model	671	0	671
Street Cleaning	180	0	180
Coroners Service	20	0	20
Development Fund	1,000	(1,000)	0
Total 2020/21 Increased Expenditure Approved 27 February 2019	1,871	(1,000)	871

2019/20 Expenditure Pressures

- 9.21 The following expenditure pressures have been identified as part of 2019/20 revenue budget monitoring process. Whilst management action is in place to mitigate these pressures and bring expenditure levels closer to the resources available, increases to the 2020/21 budget will be required in a number of service areas as set out below.

Adult's Social Care Demand Pressures

- 9.22 Revenue budget monitoring in 2019/20 has identified significant expenditure pressures within Community Health and Adult Social Care, specifically within the Learning Disability Service, with an adverse variance of £1.036m being reported at month 8. The additional pressure is the result of a general increase in client numbers coupled with an increase in clients with high cost complex care needs. Although the service benefits from the passporting of additional grant funding and Adult Social Care Precept revenues, it is anticipated that this funding will not be sufficient to cover inflationary costs (including the impact of the National Minimum Wage), underlying operational service pressures plus emerging service specific pressures including the impact on the Council of having to absorb the costs of Transforming Care. For this reason, £1.600m of extra resource in 2020/21 is therefore considered necessary.
- 9.23 The service will make every effort to manage the resources allocated efficiently and effectively, however Adult Social Care is subject to unforeseeable demand pressures. Should these arise in year, the service has earmarked reserves set aside for such instances and therefore these will be used to address any further financial challenges.

Children's Social Care Demand Pressures

- 9.24 Members will recall that significant budgetary increases have been approved in previous financial years to support the delivery of the Children's Social Care. The extra resources required to support this expenditure have largely been financed by the Council in the absence of Government grant resources.
- 9.25 There is a continuing demand for expenditure on Children's Social Care as experienced across the country. Whilst the financial position in 2019/20 estimates a year-end favourable variance, this is in relation to temporary staffing vacancies. These posts are expected to be

filled around the commencement of the 2020/21 financial year with potential further structural changes arising from new management arrangements. It is therefore deemed appropriate to support the revenue budget with additional resources of £0.220m for 2020/21.

Home to School Transport

- 9.26 The Special Educational Needs and Disabilities (SEND) Transport Service (Home to School Transport) has been experiencing significant demand increases in recent years which has been addressed with revenue budget increases of £0.782m over the last three financial years. Members will recall that Budget Monitoring reports for month 3 and month 6 considered by Cabinet have advised of further spending pressures relating to Home to School transport. Despite the introduction of new policies and procedures, spending pressures continues to increase. The month 8 financial monitoring report advises that there remains an expenditure pressure of up to £0.750m which will need to be reflected in the 2020/21 estimates.

SEND Service Pressures

- 9.27 The 2019/20 Month 8 revenue monitoring report highlights a range of pressures across numerous service areas arising from the underachievement of income coupled with specific cost pressures related to the assessment service and SEND reform activities. At present it is expected that management action will address a number of these pressures although it is anticipated £0.300m will be required to supplement the SEND budget in 2020/21.

Traded Services Budget Reduction Shortfall

- 9.28 Revenue budget monitoring reports presented to Cabinet at months 3 and 6 of 2019/20, advised Members that the approved 2019/20 Traded Services Budget Reduction proposal (CCS-BR1-228) cannot be delivered. As a result, it is necessary to reinstate £0.750m into the base budget in 2020/21.

Corporate Landlord / Investment Estate

- 9.29 For 2019/20, this service area is forecasting an overspend of £0.913m due to a combination of increased utility costs, additional cleaning charges and underachievement of income targets within the investment estate. The service is also in the process of delivering a £0.500m property and accommodation review saving approved as part of the 2019/20 revenue budget setting process (PPL-BR1-202). The saving is expected to be delivered in full albeit there are delivery challenges and work is still ongoing in this area. Management action has so far not eliminated the 2019/20 spending pressure. It is therefore anticipated that a significant element of this pressure will continue into future years hence the inclusion of £0.600m within the 2020/21 estimates.

Annual Leave Purchase Scheme

- 9.30 As part of the 2018/19 budget process, the Council removed the requirement for staff to take three days unpaid mandatory leave per annum and replaced this for 2018/19 onwards by a voluntary scheme of unpaid leave - subject to individual application and manager consideration and approval. To date the 'buy back' for the voluntary scheme has been far lower than expected. In 2018/19 this underachieved against its target and is expected to do so again in 2019/20 by £0.475m. At this stage, take up is anticipated to remain the same for 2020/21 although there is the possibility of improvement. However, it is prudent to address a pressure of £0.475m within the 2020/21 budget.

Summary of Expenditure Pressures Arising from 2019/20 Activity

- 9.31 The changes to the estimates totalling £4.695m described in paragraphs 9.22 to 9.30 are summarised in Table 12.

Table 12 – Summary of Expenditure Pressures Arising from 2019/20 Activity

	2020/21 Forecasts at 27/02/19 £000	Change £000	2020/21 Revised Forecasts £000
Adult's Social Care Demand Pressures	0	1,600	1,600
Children's Social Care Demand Pressures	0	220	220
Home to School Transport	0	750	750
SEND Service Pressures	0	300	300
Traded Services Budget Reduction Shortfall	0	750	750
Corporate Landlord / Investment Estate	0	600	600
Annual Leave Purchase Scheme	0	475	475
Underachievement	0	475	475
Total 2019/20 Expenditure Pressures	0	4,695	4,695

2020/21 Expenditure Pressures

- 9.32 The following expenditure pressures have been identified as part of a review of the 2020/21 budget estimates.

Pay Inflation

- 9.33 The NJC Pay Award for 'Green Book' members of staff, effective from 1 April 2020, will be determined through negotiations held nationally between the Local Government Association (LGA) and Single Status Trades Unions; Unison, Unite & GMB. The Trades Unions have submitted their pay claims for 2020. Due to present uncertainty over national minimum wage policy and related Local Government funding, The National Employers for Local Government services have informed the unions that they will not be in a position to respond to their pay claim until the Government has set out clearer expectations surrounding public sector pay awards.
- 9.34 For 2019/20, there was a full review of NJC pay spines and in addition revised grade bandings for Oldham. The original estimates included in the MTFs were in line with these revisions and assumed a 2020/21 increase of 2% (£1.347m) across the pay spine. However, due to subsequent approved pay increases for other public sector bodies at a higher rate and mindful of the Chancellor's commitment to increase the National Living Wage to £10.50 by 2024 for everyone over 21, it is prudent to revise the increase assumptions and related budgetary provision to a value of 2.5%, an increase of £0.453m. This results in a total pay award commitment of £1.800m for 2020/21.
- 9.35 As advised, the national negotiations have not concluded and should the pay award be agreed at a higher rate, then the difference will be financed from a specific reserve created for this purpose.

Local Government Pension Scheme Employer Contributions

- 9.36 Following the latest triennial review of forecast employer pension contribution levels, it has been confirmed that the Oldham employer's contribution rates to the Greater Manchester Local Government Pension Scheme will remain unchanged compared to 2019/20. Contribution rates for 2020/21 will remain at 20.6% but were originally forecast to increase to 22%. Leaving the rate at 20.6% for 2020/21 reduces the budget requirement from £1.681m by £0.681m. The estimates still provide for a £1.000m increase in pension contribution costs resulting from the expiry of savings arising from the advance payment of contributions which was approved as a reduction for the 2017/18 revenue budget (CCS-COM-044).
- 9.37 Section 10 of the budget report (Budget Reduction Proposals) includes a proposal to agree advance employer pension fund contributions for the triennial period covering 2020/21 to 2022/23. This mirrors the budget reduction proposal approved in 2017/18 although the saving is not as large (£0.700m per annum from 2020/21 to 2022/23).

DSG Inherited Liabilities

- 9.38 On Friday 11 October 2019, the Department for Education notified Councils that there would be a 20% reduction in allowable costs for historic commitments chargeable to the Central Schools Services Block of the DSG. This equates to a sum of £0.310m and relates to historic commitments including on-going pension liabilities. These costs will not cease and therefore as they cannot be charged to the DSG these must be met from the Council's revenue budget.

Investment Fund

- 9.39 A review of the Capital Programme and its financing requirement has taken place. This has had regard to recent developments including the Creating a Better Place initiative. Although the review has resulted in a £3.497m reduction in the 2020/21 estimates for capital financing costs, from £4.417m to £0.920m, it should be noted that any additional unfinanced capital investment will have the effect of reversing this and will instead add to the revenue budget requirement.

Contractual and Service Inflation

- 9.40 A review of the budget estimates for contractual price and service cost inflation has resulted in an increase of £0.754m in the original estimate from £0.896m to £1.650m. Additional budgetary provision is needed to cover inflationary increases in PFI Unitary Charges and material increases in utility costs. Further provision is also required to cover cost increases passed through to the Council from key suppliers and partners primarily as a result of pay pressures in those sectors. Given the expenditure pressures experienced in several services during 2019/20, services cannot absorb price inflation increases within existing budgets.

Summary of 2020/21 Expenditure Pressures

9.41 The changes to the estimates described in paragraphs 9.33 to 9.40 are summarised in Table 13 below and show a reduction of £1.181m, from an overall expected pressure of £8.341m to £5.680m.

Table 13 - 2020/21 Expenditure Pressures

	2020/21 Forecasts at 27/02/19 £000	Change £000	2020/21 Revised Forecasts £000
Pay Inflation	1,347	453	1,800
Pensions	1,681	(681)	1,000
DSG Inherited Liabilities	0	310	310
Investment Fund	4,417	(3,497)	920
Contractual and Service Inflation	896	754	1,650
Total 2020/21 Expenditure Pressures	8,341	(2,661)	5,680

Funding Passported Directly to Services

2020/21 Grant Allocations

- 9.42 The 2019/20 revenue budget included a number of grants that had only been confirmed for that financial year. The original estimates assumed that these grants would cease in 2020/21 and service expenditure would reduce in line with the grant cessation. The specific grants included:
- Continued Improved Better Care Fund (£1.586m);
 - Winter Pressures Funding (£1.122m); and
 - Homelessness Funding (£0.194m).
- 9.43 As stated in Section 6, the Government has now announced the continuation of these grants maintaining, or in the case of homelessness, increasing the 2019/20 allocations. These grants were originally passported to services and will remain so for 2020/21. It had been expected that the Homelessness Reduction Grant of £0.194m would no longer be received. The Government is to continue this grant and indeed increased it by £0.164m to a total of £0.358m. This will also be passported to services in 2020/21.
- 9.44 As detailed in Section 6, on 28 January 2020 the Government announced allocations for 2020/21 Rough Sleeping Initiative funding. Oldham Council will receive £0.037m which will also be passported to services.

Adult Social Care Precept (ASCP)

- 9.45 As previously advised, the Government permits Councils to raise additional Council Tax via an Adult Social Care Precept (ASCP). A condition of raising the precept is that the additional funding generated must be ringfenced to finance increases in costs associated with Adult Social Care. The funding is therefore passported directly to Community Services and Adult Social Care. A 2% increase to the Adult Social Care Precept (to reflect 2020/21 Council Tax Policy) will generate an additional £1.873m. The ASCP also benefits from growth in the Council Tax Tax Base. The increase in the tax base for 2020/21 results in an increase of £0.015m compared to the original February 2019 estimate of £1.858m.

ASCP Council Tax Tax Base Growth

- 9.46 Revisions to the Council Tax Tax Base also increase the funding available to the Council for decisions made to apply the ASCP in previous years since its inception in 2016/17. As with funding raised from the application of the ASCP in 2020/21, all additional funding from ASCP tax base growth will be passported directly to Adult Social Care for 2020/21. Tax base growth will generate an additional £0.114m which is £0.057m higher than the previous estimate which was at a value of £0.057m.

Parish Precepts

- 9.47 The increased Parish Precept expenditure reflects the increases in the Council Tax Tax Bases for Saddleworth and Shaw and Crompton Parish Councils. This is offset by an opposite and equal adjustment in the Council Tax generated in those areas. The tax base growth applicable to the Parish Precepts in 2020/21 generates additional resources at a value of £0.002m.

Summary of Funding Passported Directly to the Service

- 9.48 The changes to the estimates as described in paragraphs 9.42 to 9.47 are summarised in Table 14 below and show an overall movement of £3.177m from an anticipated reduction in resources of £0.987m to a net increase of £2.190m.

Table 14 - Funding Passported Directly to the Service

	2020/21 Forecasts at 27/02/19 £000	Change £000	2020/21 Impact to Forecasts £000
Continued Improved Better Care Fund - Spring Budget 2017	(1,586)	1,586	0
Continued Winter Pressures Grant	(1,122)	1,122	0
Homelessness	(194)	358	164
Rough Sleeping Initiative	0	37	37
Passporting of Adult Social Care Precept (ASCP)	1,858	15	1,873
ASCP Taxbase Growth	57	57	114
Parish Precepts	0	2	2
Total Passported Expenditure	(987)	3,177	2,190

Invest to Save Initiatives

- 9.49 The 2020/21 budget estimates include additional budgetary provision to finance additional activity in a number of service areas which are expected to deliver savings and cost reductions in the medium to long term as part of the Council's overall Medium Term Financial Strategy. As well as supporting the overall delivery of the Council's transformation programme, additional resources are included to support two further programmes of activity which form part of the Council's overall transformation plans.

Early Intervention and Prevention Service

- 9.50 Members will recall that the 2019/20 revenue budget provided temporary funding of £0.750m pending the outcome of a review of the Early Help delivery model. This review has now concluded, and Cabinet considered a report at its meeting of 18 November 2019 centred on the procurement of Early Intervention Services as well as Health Improvement & Weight Management Services. Following approval of this report, additional revenue budget of up to £1.555m is required in 2020/21. Investment in early help and particularly preventive services is expected to mitigate future increased spending pressures in the long term.

Implementation of the transformation agenda

- 9.51 Following a review of the Council's approach to transformational change there is a requirement to increase service capacity. This will require confirmed resources of £0.930m per annum over a two-year timeframe. Previously such expenditure has been approved on a project by project basis and financed from reserves. As there is clarity of cost and timescale, it is appropriate to reflect this in the revenue budget estimates. As the activities undertaken will deliver transformational change, it is proposed that the additional costs are financed from capital receipts taking advantage of the flexibility introduced in March 2016 by the Government, allowing capital receipts to be used to finance transformation and change activities.

Creating a Better Place

- 9.52 As stated at paragraph 4.37, Cabinet approved proposals to reprofile existing property service priorities and place corporate land and property at the centre of an ambitious plan for the regeneration of the borough including the town centre, building new homes, creating job opportunities, and re-engaging communities and partners through property / estate co-location and collaboration. As well as delivering major transformation of the borough from a place perspective, the strategy is expected to deliver indicative medium to long term savings of almost £11m including an approved £0.500m property and accommodation review saving (PPL-BR1-202) for 2019/20 and a further £0.261m for 2020/21 included as a specific proposal in Section 10 of this report.
- 9.53 To put in place sufficient capacity to deliver the programme, £0.750m of resources are required in 2020/21 to provide dedicated technical and professional support. There is a further requirement for up to £0.750m of funding over the period 2021/22 to 2023/24 which is to be financed from the anticipated revenue savings generated from capital investment projects.
- 9.54 To achieve the level of revenue savings anticipated, significant up-front capital investment is required which is reflected in the Capital Strategy and Treasury Management Strategy (elsewhere on the agenda) as well as in the medium to long term estimates for capital financing costs included in the financial forecasts for 2021/22 onwards.

Summary of Invest to Save Initiatives

- 9.55 The changes to the estimates relating to invest to save initiatives outlined in paragraphs 9.49 to 9.54 are summarised in Table 15 and show an increase in expenditure of £3.235m compared to initial estimates for 2020/21.

Table 15 - Invest to Save Initiatives

	2020/21 Forecasts at 27/02/19 £000	Change £000	2020/21 Revised Forecasts £000
Early Intervention and Prevention Service	0	1,555	1,555
Implementation of the transformation agenda	0	930	930
Creating a Better Place	0	750	750
Total Invest to save initiatives	0	3,235	3,235

Levies

GMCA – Waste Disposal Levy

- 9.56 It is anticipated that the Council will be formally notified of the GMCA Waste Disposal levy for 2020/21 in early February 2020. There is an initial indication that the levy will reduce by a value of £0.654m. The Council had previously assumed an inflationary increase on this levy which produces an overall reduction in the estimates for 2020/21 at a value of £0.965m.

GMCA – Transport Levy

- 9.57 The GMCA will also approve its 2020/21 Transport Levy payable by the Greater Manchester Districts in February 2020. Oldham's Transport Levy is expected to initially increase by a value of £0.048m based on revised population estimates. It will then reduce by £7.263m due to a change in legislation in regard to GM Mayoral functions as detailed in paragraph 9.58 below. This results in an overall change to the estimates of £7.215m. In addition, the levy in 2019/20 was reduced by a one-off amount of £0.418m and its restoration to the base budget was anticipated in the original forecasts which cumulatively produce a net reduction of £6.797m to the 2020/21 Transport Levy.

GMCA – Transport Statutory Charge

- 9.58 Following the GMCA (Functions and Amendment) order being laid in April 2019, the GM Mayor was given further powers for transport functions. The order gave the GM Mayor the ability to make a statutory charge to District Councils in relation to transport functions (with a corresponding reduction in the Transport Levy). For 2020/21, this statutory charge is at a value of £7.263m with an equal and opposite adjustment to the Transport Levy.

Adjustment for one off funding in 2019/20 Mayoral Bus Reform Grant

- 9.59 The 2019/20 GM Mayoral General Budget and Precept included the payment of grants to the Greater Manchester districts to offset additional one-off Transport Levy costs. For the 2019/20 financial year Oldham received a grant of £0.693m to support an equivalent increase in the Transport Levy. This, as expected, is reversed in 2020/21.

Contributions to GM-Wide Activities

- 9.60 The GMCA will finalise its 2020/21 budget in February 2020 and contributions to GM wide activities are expected to be unchanged at a total value of £0.823m.

Environment Agency Local Levy

- 9.61 On 1 February 2020 the Environment Agency will provide Councils with provisional levy amounts for the 2020/21 financial year and then from 8 February 2020 onwards will advise of any amendments made as a result of changes to provisional data.
- 9.62 For planning purposes, it has been assumed that the amount will increase in line with previous years and whilst not of a significant value, £0.002m has been added to the estimates for 2020/21. This was anticipated in the original forecasts and as such does not represent a change to the estimates.

Summary of Levies/Contributions

9.63 The changes to the estimates relating to Levies described in paragraphs 9.56 to 9.62 are summarised in Table 16 and show a change of £0.917m from an initial increase in spending from £0.038m to a reduction of £0.879m.

Table 16 – Impact of Levies

	2020/21 Forecasts at 27/02/19 £000	Change £000	2020/21 Revised Impact £000
GMCA - Waste Disposal Levy	311	(965)	(654)
GMCA - Transport Levy	418	(7,215)	(6,797)
GMCA - Transport Statutory Charge	0	7,263	7,263
Adjustment for one off funding in 2019/20	(693)	0	(693)
Mayoral Bus Reform Grant			
Contributions to GM-Wide Activities	0	0	0
Environment Agency Levy	2	0	2
Total Levies	38	(917)	(879)

9.64 The table below presents the overall expected position for GMCA levies and the Environment Agency Levy. It shows an overall reduction of £0.879m from £35.382m included in the initial estimates for 2020/21 to a revised estimate of £34.503m.

Table 17 – Levies/Contributions for 2020/21

Levy/Contribution	2019/20 Budget £000	2020/21 Budget £000	Difference £000
GMCA - Waste Disposal Levy	18,102	17,448	(654)
GMCA - Transport Levy	16,351	8,861	(7,490)
GMCA - Transport Statutory Charge	0	7,263	7,263
Contributions to GM-Wide Activities	823	823	0
Environment Agency	106	108	2
Levies/Contributions for 2020/21 and change from anticipated levels	35,382	34,503	(879)

Previously Approved and Indicative Budget Reduction Proposals

- 9.65 Members will recall that the Revenue Budget 2019/20 and Medium Term Financial Strategy 2019/20 to 2023/24 approved by Council on 27 February 2019 included a number of Budget Reduction Proposals for 2019/20 which were anticipated to generate further savings in 2020/21. Two proposals covering day care services and bus lane enforcement will generate £0.116m of savings in 2020/21 in addition to 2019/20 savings of £0.169m. The approved MTFS also included a further £4.500m of Indicative Budget Reduction Proposals for 2020/21 and a further £2.000m for 2021/22 as follows:
- Property savings/accommodation review - £2.000m in 2020/21 and a further £2.000m in 2021/22
 - Digital by Design - £1.500m in 2020/21
 - Review of Design and Assurance - £0.250m in 2020/21
 - Council Traded Services/Unity Commercial Services Review - £0.750m in 2020/21
- 9.66 Plans for the delivery of these savings have been reviewed within the context of the Council's broader programme of transformation. As a result, an element of rescoping and rephasing has been necessary which will result in savings being delivered later in the MTFS period. An overview of the Council's programme of transformation and its impact on the MTFS is presented in Section 17 of the report.
- 9.67 As stated at paragraph 9.15, the Council has invested significantly in Children's Social Care. The investment in 2019/20 was linked to the delivery of efficiencies arising from new ways of working once a new staffing structure was implemented. Whilst the staffing arrangements have yet to be fully embedded it is still expected that the delivery of £1.660m of operating efficiencies will be achieved in 2020/21. However, specific reserves will be held should there be any shortfall in delivery.
- 9.68 Previously approved and indicative budget reduction proposals are summarised in Table 18. This shows that compared to an original forecast reduction in expenditure of £6.726m, £4.500m will not be achieved in 2020/21, leaving a revised reduction in expenditure of £1.776m.

Table 18 - Previously Approved and Indicative Budget Reduction Proposals

	2020/21 Forecasts at 27/02/19 £000	Change £000	2020/21 Revised Forecasts £000
2020/21 Budget Reduction Proposals approved 27 February 2019	(116)	0	(116)
2020/21 Indicative Budget Reduction Proposals approved 27 February 2019	(4,500)	4,500	0
2020/21 Children's Social Care Planned Efficiencies approved 27 February 2019	(1,660)	0	(1,660)
Updated Impact of Previously Approved & Indicative Budget Reduction Proposals	(6,276)	4,500	(1,776)

Impact of 2019 Spending Round and Provisional LGFS

9.69 The 2019 Spending Round announcement and the Provisional LGFS covered previously in Section 6 of the report means it has been necessary to fundamentally review the original funding estimates for 2020/21 considered by Council on 27 February 2019. When the original estimates were prepared, very little detail was available from Central Government to assist the Council in preparing the 2020/21 estimates. In essence the original 2020/21 estimates assumed:

- Austerity would continue resulting in the Council's spending power reducing in line with the 2016 to 2019 spending review period;
- The Fair Funding review of the Local Government Finance system would conclude and be implemented for the 2020/21 financial year;
- By 1 April 2020, the Business Rates Retention system would be reset, the Greater Manchester 100% Business Rates Retention Pilot Scheme would cease and nationally, the Government would adopt a Business Rates system based on 75% retention.

9.70 At the time the original estimates were prepared, it was not clear whether the Government would achieve spending power reductions by reducing funding or by transferring additional statutory duties or service provision to the Local Authority sector. The Provisional LGFS has now confirmed that the 2020/21 funding position will largely be based on a roll forward of the 2019/20 position. In addition, the major reform of the Local Government finance system and Business Rates retention has been delayed by one year to 2021/22 and the Greater Manchester 100% Business Rates Retention Pilot Scheme will be extended for a further year. As a result, the estimates have been revised resulting in an additional £6.664m of resource to support the 2020/21 revenue budget, which reflects the roll forward and inflationary uplift of general grant allocations. Specific changes to the estimates are summarised as follows:

- A reduction in the Budget Reduction Requirement of £23.782m for New Burdens and Service Transfers. The original forecast assumed that spending power would continue to reduce in line with the 2016 to 2019 spending review period and that this would be achieved by both the elimination of Revenue Support Grant and by the transfer of additional duties and responsibilities to Local Authorities without the provision of adequate funding
- A reduction in total funding related to Business Rates (including Public Health grant) of £17.118m as a result of the realignment of all revenues associated with Business Rates driven by the one-year delay to the reset of the Business Rates retention system and the continuation of the GM 100% Business Rates Retention pilot scheme until at least 31 March 2021.

9.71 These funding adjustments explained at paragraphs 9.69 and 9.70 are summarised in Table 19 below and show that the impact of the continuation of the Business Rates Retention arrangements but more specifically the impact of the roll forward of general Government grant funding. In overall terms there is an increase of £6.664m in funding from £96.038m to £102.702m.

Table 19 – Government Funding and Impact of 100% Business Rates Retention Continuation

	2020/21 Forecasts at 27/02/19 £000	Change £000	2020/21 Revised Forecasts £000
Expenditure			
New Burdens and Service Transfers	23,782	(23,782)	0
Total Expenditure	23,782	(23,782)	0
Funding			
Business Rates Top Up	55,324	(14,276)	41,048
Grants in Lieu of Business Rates	8,007	3,223	11,230
Public Health Grant	15,999	(15,999)	0
Retained Business Rates	40,490	9,934	50,424
Total Funding	119,820	(17,118)	102,702
Total 100% Business Rates Impact	96,038	6,664	102,702

Other Unringfenced Government Grants

9.72 Section 6 of the report details Government announcements included within the Provisional LGFS relating to the continuation of specific funding streams associated with the improved Better Care Fund, Social Care Support Grant, Independent Living Fund Grant, New Homes Bonus Grant, Homelessness Funding, Housing and Council Tax Benefit Administration Grants and the Lead Local Flood Authority grant. This funding now totals £22.657m, an increase of £10.596m compared to the original February 2019 estimates as detailed at paragraph 6.33.

9.73 These funding adjustments are summarised in Table 20 below.

Table 20 – Other Unringfenced Government Grants

	2020/21 Forecasts at 27/02/19 £000	Change £000	2020/21 Revised Forecasts £000
Total Other Unringfenced Government Grants	12,061	10,596	22,657

Council Tax Income

Council Tax

- 9.74 Section 7 of the report details the Council's policy in regard to Council Tax and the Adult Social Care Precept.

Council Tax for General Purposes

- 9.75 The approved tax base has increased by 970 from 56,693 to 57,663 which is greater than originally anticipated. However, the original planning assumption, in line with the previous Council Tax policy, was for a 1.99% general increase to Council Tax. The revised policy of a 0.99% general increase lowers the anticipated Council Tax income. The net effect of the increased tax base and the changes to the general increase to Council Tax is a reduction of £0.190m from £87.977m to £87.787m.

Adult Social Care Precept

- 9.76 Council Tax policy is to increase by 2% the Adult Social Care Precept. This precept has to be highlighted separately on the face of the Council Tax bill. This increase will generate an additional £1.873m Council Tax income for 2020/21 (inclusive of an additional £0.015m generated from the increase to the tax base)
- 9.77 In addition, the increase to the tax base for 2020/21 also impacts on previous years ASCP figures and generates an additional £0.057m on top of historic amounts which will, alongside all other precept income, be passported to Adult Social Care services.

Parish Precepts

- 9.78 The increased Parish Precept expenditure referenced at paragraph 9.47 reflects the increase to the respective Parish tax bases, prior to any changes to the actual precept for 2020/21. The tax base growth applicable to the Parish Precepts in 2020/21 generates additional resources at a value of £0.002m resulting in total Parish Precepts of £0.280m.

Summary of Council Tax Income

- 9.79 Full Council Tax rates and calculations are presented in Section 15 of this report and show, due to the change in Council Tax policy, an overall reduction in anticipated Council Tax income of £0.116m from £96.861m to £96.745m.

Table 21 – Council Tax Income

	2020/21 Forecasts at 27/02/19 £000	Change £000	2020/21 Revised Forecasts £000
Council Tax Income	87,977	(190)	87,787
Adult Social Care Precept 2020/21	1,858	15	1,873
Adult Social Care Precept 2016/17 to 2019/20	6,748	57	6,805
Parish Precepts	278	2	280
Total Locally Generated Income	96,861	(116)	96,745

Previously Agreed Use of Reserves

9.80 Members will recall that the original estimates for 2020/21 included the indicative use of reserves based on the 2019/20 GM 100% Business Rates Retention Pilot Scheme Gain. The revised forecasts initially remove this assumption however this is reintroduced as a means to address the budget reduction requirement and is included in Section 12 of this report.

Table 22 – Previously Agreed Use of Reserves

	2020/21 Forecasts at 27/02/19 £000	Change £000	2020/21 Revised Forecasts £000
Use of Reserves			
2019/20 Business Rates Pilot Scheme Gain	(1,413)	1,413	0
Total Previously Agreed Use of Reserves	(1,413)	1,413	0

Revised Budget Reduction Requirement after Adjustments to Estimates

9.81 The result of these revisions to estimates is that the comparative budget reduction requirement has reduced from £22.871m to £18.169m (a reduction of £4.702m) as illustrated at a summary level in the table below and explained in the commentary from paragraph 9.8 to 9.80.

Table 23 – Revised Budget Reduction Requirement

	2020/21 Forecasts at 27/02/19 £000	Change £000	2020/21 Revised Forecasts £000
Expenditure			
Prior Year Net Revenue Budget	224,112	0	224,112
One-Off Funding Adjustments	2,145	0	2,145
2020/21 Increased Expenditure Approved 27 February 2019	1,871	(1,000)	871
2019/20 Expenditure Pressures	0	4,695	4,695
2020/21 Expenditure Pressures	8,341	(2,661)	5,680
Passported Expenditure	(987)	3,177	2,190
Invest to save initiatives	0	3,235	3,235
Levies	38	(917)	(879)
Previously Agreed Budget Reductions	(6,276)	4,500	(1,776)
Total Expenditure	229,244	11,029	240,273
Funding			
Core Government Funding / 100% Business Rates Impact	96,038	6,664	102,702
Other Government Funding	12,061	10,596	22,657
Council Tax	96,861	(116)	96,745
Total Funding	204,960	17,144	222,104
Budget Reduction Requirement	24,284	(6,115)	18,169
Use of Reserves	(1,413)	1,413	0
Budget Reduction Requirement after Use of Reserves	22,871	(4,702)	18,169

9.82 The detailed MTFs estimates for 2020/21 summarised in the table above are shown in full at **Appendix 4**.

10 Budget Reduction Proposals

- 10.1 The approach used by the Administration for balancing the 2020/21 revenue budget has followed on from the successful processes adopted in previous years. Using the well-established Member review forum of Leadership Star Chamber, there has been a review of the financial pressures facing the Council alongside available funding and resources, with a number of revenue budget reduction proposals considered to help bridge the budget reduction requirement.
- 10.2 The revenue budget has been reviewed by Portfolio area with proposals put forward for consideration. The Portfolio areas are as follows:
- Community Services and Adult Social Care
 - People and Place
 - Children's Services
 - Reform
 - Commissioning
 - Chief Executive
 - Capital, Treasury and Corporate Accounting
- 10.3 Member support for Portfolio specific proposals has been demonstrated by each budget reduction proforma (BR1's) bearing the signatures of the relevant Cabinet member.
- 10.4 A total of seven budget reduction proposals at a cumulative value of £3.011m for 2020/21 with an FTE impact of 7.70 are now recommended for approval. These are presented in summary at **Appendix 5** and in detail at **Appendix 6**. The individual proposed budget reductions and associated values are shown in the table below.

Table 24 – Summary of Proposed Budget Reductions

	2020/21 £000	2020/21 £000
Revised Budget Reduction Requirement after Adjustments to Estimates		18,169
Adult Social Care Direct Payment Review	(150)	
Property Savings and Accommodation Review (reprofiled)	(261)	
Financial Services Redesign	(100)	
Insurance - Reduction in costs	(300)	
Treasury Management	(1,000)	
Review of Housing Benefit budgets	(500)	
Pre-payment to GMPF – Employers Contribution	(700)	
Total Budget Reduction Proposals		(3,011)
Revised Budget Reduction Requirement after Budget Reduction Proposals		15,158

- 10.5 Assuming approval of the seven budget reduction proposals, the budget reduction requirement for 2020/21 reduces from £18.169m to £15.158m.

11 Other Financing Means

- 11.1 In the absence of significant savings proposals, there is a requirement to use other financing means to eliminate the budget reduction requirement as follows:

Flexible use of Capital Receipts

- 11.2 As part of the 2016/17 LGFS, the Secretary of State for Housing, Communities and Local Government provided Local Authorities with the opportunity to use capital receipts to finance the revenue costs of transformation activity. This flexibility was then extended to 2021/22 as part of the 2018/19 LGFS. The Council intends to use up to £3.750m of capital receipts to fund elements of Oldham's transformational agenda in line with the directive guidance and therefore in 2020/21 the first £3.750m of unfettered receipts will be used to support the revenue budget via the financing of transformational projects.
- 11.3 The flexible use of capital receipts is designed to offset the revenue cost of transformational projects which are expected to deliver future ongoing revenue savings for either the Council or other public sector delivery partners.
- 11.4 In order to take advantage of the change of use to capital receipts, the Council must act in accordance with the statutory guidance issued by the Secretary of State. This guidance requires the Council to prepare, publish and maintain a Flexible Use of Capital Receipts Strategy. The Council's Flexible Use of Capital Receipts Strategy is included in the Capital Strategy presented elsewhere on the agenda.

Collection Fund Surplus

- 11.5 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 outturn estimate by 15 January each year. This may produce a Council Tax surplus or deficit which can then be distributed to the Council and the GMCA for the Mayoral Police and Crime Commissioner Precept and the Mayoral General Precept (including Fire Services). In addition, the Business Rates surplus or deficit can be distributed to the Council and the GMCA (in respect of the Fire Services element of the Mayoral General Precept).
- 11.6 The Collection Fund forecast 2019/20 outturn projection is presented as part of the revenue monitoring reports considered by Cabinet throughout the year. The Collection Fund forecast outturn position (incorporating both Council Tax and Business Rates) has been calculated at a surplus of £1.470m. The Council's share is £1.400m which is available to support the 2020/21 revenue budget. The GMCA, as the major preceptor has been notified of its share of the surplus (£0.070m).
- 11.7 Once the Flexible Use of Capital Receipts and Collection Fund resources are factored into the revenue budget, the remaining budget reduction requirement reduces to £10.008m as presented in the table below.

Table 25 – Other Financing Means

	2020/21 £000
Revised Gap after Budget Reduction Proposals	15,158
Flexible use of Capital Receipts 2020/21	(3,750)
Collection Fund Surplus	(1,400)
Revised Gap / Budget Reduction Requirement	10,008

12 Use of Reserves

12.1 It is proposed to balance the revenue budget for 2020/21 by utilising additional reserves at a value of £10.008m as follows (all of which will increase the savings requirement for 2021/22). Specific reserves that will be utilised are:

- £1.413m of GMCA Returned Resources in relation to the GM 100% Business Rates Retention Pilot Scheme surplus.
- £3.113m of reserves relating to a refund of 2019/20 Waste Levy.
- £1.300m of additional resources made available during 2019/20 arising from benefits of the GM 100% Business Rates Retention Pilot Scheme.
- £4.182m to be funded by a one-off use of corporate reserves.

12.2 The availability of pilot scheme resources of £2.713m enable the Council to support mainstream services including inward investment and regeneration that may otherwise have had to operate with reduced resource thus restricting opportunities for taking forward the Creating a Better Place initiative.

Table 26 – Use of Reserves

	2020/21 £000	2020/21 £000
Revised Gap / Budget Reduction Requirement		10,008
Use of Specific Reserves		
Reinstate 2019/20 Business Rates Pilot Scheme Gain	(1,413)	
Waste Levy Refund	(3,113)	
Business Rates Retention Returned Funding	(1,300)	
Total Use of Specific Reserves		(5,826)
Revised Gap / Budget Reduction Requirement		4,182
Proposed Additional Use of Reserves		(4,182)
Revised Gap after Use of Other Resources & Specific Reserves		0

12.3 It is acknowledged that the 2020/21 revenue budget is underpinned by the deployment of reserves. However, there are sufficient reserves to support this contribution to balancing the 2020/21 revenue budget, thereby protecting services for as long as possible without exposing the Council to undue financial risk.

13 Reserves and Balances

- 13.1 The forecast year-end earmarked reserves position presented below reflects the estimated closing balance for 2019/20 and hence the total reserves available for the financial year 2020/21. However, this is before the proposed use of reserves of £10.008m as highlighted at Table 26.

Table 27 – Reserves Position

Earmarked Reserves	2019/20 Opening Balance	2019/20 Estimated Closing Balance
	£000	£000
Adverse Weather Reserve	(1,500)	(1,500)
Balancing Budget Reserve	(8,818)	(10,008)
Council Initiatives Reserve	(4,514)	(3,289)
Demand Changes Reserve	(2,000)	(2,000)
Directorate Reserves	(2,767)	(2,085)
District Executive Reserves	(732)	(509)
Emergency and External Events Reserve	(2,751)	(2,681)
Fiscal Mitigation Reserve	(14,975)	(13,140)
Insurance Reserve	(14,529)	(12,165)
Integrated Working Reserve	(3,662)	(2,989)
Levy Reserve	(402)	(403)
Life Cycle Costs Reserve	(6,611)	(6,581)
Regeneration Reserve	(6,456)	(4,156)
Taxation/Treasury Reserve	(625)	(625)
Transformation Reserve	(10,281)	(7,736)
Total	(80,623)	(69,867)

- 13.2 Although the estimated level of reserves at the end of 2019/20 is £69.867m, this will be reduced by resources to balance the 2020/21 budget of £10.008m. In addition, a number of these reserves are committed to finance expenditure planned for future financial years meaning they are not available for alternative uses. However, the final 2019/20 position will not be determined until the year-end accounts have been prepared. Traditionally, the revenue outturn position has been healthier than the in-year forecast.
- 13.3 At its meeting of 16 December 2019, Cabinet agreed the additional investment of £5.900m of Council resources to Oldham CCG for transformation activities linked to integration plans. When the Council's accounts for 2018/19 were closed, resources of £5.900m were allocated to reserves to support efficiencies and developments within health and social care. This transfer from reserves was completed in 2019/20. The intended reductions in the Council's contribution to the Section 75 agreement which will commence in 2021/22 will be utilised to replenish the Council's reserves.
- 13.4 With regard to the Bus Reform proposals set out at paragraphs 3.30 and 3.31, a decision by GMCA to proceed will require Oldham, alongside other Greater Manchester Districts to provide a share of the one-off increase in the statutory contribution of £17.800m. Financing for such a contribution can be sourced from the Council's Fiscal Mitigation Earmarked Reserve.

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- 13.5 Having regard to all relevant information, the level of General Fund balances required to support the 2020/21 budget has increased from £14.840m to £14.991m. Under Section 25 of the Local Government Act 2003, the Chief Finance Officer is required to prepare a statement on the adequacy of proposed financial reserves and the robustness of the budget estimates. The statement is included in a report elsewhere on the agenda. Members are reminded, therefore, that any budget proposals have been subject to a risk assessment undertaken by the Director of Finance.

14 Fees and Charges

- 14.1 Attached at **Appendix 7** is the proposed fees and charges schedule for the 2020/21 financial year. An element of the charges have been uplifted following discussions with the Heads of Service and Cabinet Members, however a number are proposed to remain at the same level as the 2019/20 financial year. The proposed value and percentage increase for 2020/21 where applicable for each charge is included within the Appendix.
- 14.2 The requirement to publish the fees and charges schedule arises from paragraph 12.1 of the Finance Procedure Rules *“The Revenue Budget report presented to the relevant Overview and Scrutiny Committee for scrutiny prior to the start of each financial year will include proposals for fees and charges, including any amendments, for the forthcoming financial year. This will be prepared by the Director of Finance in consultation with Heads of Service / Directors. After comments from the Overview and Scrutiny Committee, the final approval of fees and charges will align with the budget process with a report to Cabinet with a recommendation to Council. Any amendments in year should be reported to Cabinet for approval”*.
- 14.3 At this stage where services have proposed to increase fees and charges, due to volatility, any increases generated will mostly be used to offset inflationary pressures within the relevant service. In addition, the demand for services financed from fees and charges is unknown and therefore is a variable which cannot be quantified at this time.
- 14.4 As in previous years, there are a number of exclusions to the schedule. The following services set their charges based on current legislation and market conditions – planning, markets, hoardings rental, leased out buildings, lifelong learning accreditation fees, adult care charges and Oldham Leisure services.
- 14.5 Areas for consideration for 2020/21 include:
- New charges for Gallery Oldham Learning sessions, Light Duty Vehicle Crossing Applications, Taxi operator licences without a star rating, Highways permits and Pre-Application Planning fees.
 - Realignment of car parking charges at Dovestones Reservoir.
 - Removal of library fines as agreed by Council.
 - Change in VAT treatment for Registrar Services and for room hire at the Link Centre as this building is not opted to tax.
 - The charge for domestic waste has been increased by 2.4% but the additional charges for trade waste recycling has increased by 5%. Against competitors, the charge is still very competitive without being discouraging.
 - Private Hire licencing - as with vehicle and drivers' licences these are based on the number issued and likely to be renewed. Charges for 2020/21 will remain at the previous charge.
 - Commercial Pest Control – there are a range of annual contracts for commercial premises for which there is no proposal for an increase for 2020/21. Previously the increase has been above 7%.
 - A proposal for an average increase of 2.9% for new graves and 1.5% for burials. The Competition and Markets Authority have launched an investigation into the funerals sector and as such the Council could be asked to substantiate any increase in charge and the methodology for the increase.
 - A proposed increase (with effect from September 2020) of 10p to the price of a school meal for pupils
- 14.6 As usual the fees and charges relating to educational establishments and schools e.g. lifelong learning, outdoor education, music, school meals and swimming will be reviewed in line with the academic year and any resulting changes will commence from September 2020. The charges for these areas included within the Appendix relate to charges from September 2020 onwards.

15 Council Tax and Adult Social Care Precept Levels

- 15.1 Section 7 sets out the current planning assumptions in relation to Council Tax and the Adult Social Care Precept.
- 15.2 It is proposed that a 0.99% general increase to Council Tax is applied for 2020/21 together with a 2% increase in the Adult Social Care Precept. This represents an overall increase of 2.99% in Council Tax for Oldham Council services.
- 15.3 Oldham Council Band D Council Tax for 2020/21 is therefore recommended to be £1,672.92 of which £150.51 relates to the Adult Social Care Precept.

Impact of Decisions of Precepting Authorities

- 15.4 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 preceptor is the GMCA which precept for two components as follows:

Mayoral Police and Crime Commissioner Precept

- 15.5 The GM Mayor as Police and Crime Commissioner has the ability to propose an increase to the Police precept by up to £10 in 2020/21. Following a period of consultation with residents, the Mayor proposed the Mayoral Police and Crime Commissioner Precept to the Police and Crime Panel on 31 January 2019. The proposal was to increase the precept by the full allowable £10 per household in 2020/21 to set an overall Band D precept of £208.30. The revised precept will be formally considered at the GMCA budget setting meeting on 14 February 2020.

Mayoral General Precept (including Fire Services)

- 15.6 The Mayor proposed the Mayoral General Precept, to the GMCA on 31 January 2020. The proposal was to set an overall Mayoral General Precept of £90.95 (Band D) comprising of £66.20 for GM Fire and Rescue Services (an increase of £6.25) and £24.75 for other Mayoral General functions (an increase of £7.75 for 2020/21). GMCA agreed in principle to the revised precept (an overall increase of £14). The revised precept will be formally considered at the GMCA budget setting meeting on 14 February 2020.

Parish Precepts

- 15.7 Saddleworth and Shaw & Crompton Parish Councils are due to agree their budgets and precepts in February 2020. At present no change is assumed in the level of precept.
- 15.8 The Parish Precept income will however increase as a result of an increase in respective tax bases, currently estimated to be at a value of £0.002m.

Draw on Collection Fund

Council Tax

- 15.9 Subject to confirmation from all precepting bodies, taking account of the approved Council Tax Base of 57,663 for 2020/21 and the Council Tax and Adult Social Care Precept proposals set out in Section 7 of the report, the sums anticipated to be drawn from the Collection Fund for Council Tax in 2020/21 are:

Table 28 – Draw on Collection Fund

Precepting Body	2020/21 £000
Oldham Council including Social Care Precept	96,466
Mayoral Police and Crime Commissioner Precept	12,011
Mayoral General Precept (including Fire Services)	5,244
Saddleworth Parish Council	189
Shaw & Crompton Parish Council	91
TOTAL	114,001
Less: contribution from Parish Taxpayers	(280)
TOTAL Draw on Collection Fund for Major Preceptors	113,721

- 15.10 The 2020/21 Band D Council Tax is shown in the table below at anticipated levels for Oldham Council services, Mayoral Precepts and Parish Precepts. Detailed indicative Council Tax information is presented at **Appendix 8**

Table 29 - Anticipated Band D Council Tax

Council Tax Raising Body	2019/20 £	2020/21 £	Change %
Oldham Council (subject to confirmation)	1,624.36	1,672.92	2.99%
Mayoral Police and Crime Commissioner Precept (subject to confirmation)	198.30	208.30	5.04%
Mayoral General Precept (including Fire Services) (subject to confirmation)	76.95	90.95	18.19%
TOTAL BAND D COUNCIL TAX	1,899.61	1,972.17	
Saddleworth Parish Council (subject to confirmation)	21.76	21.76	0.00%
Shaw & Crompton Parish Council (subject to confirmation)	16.53	16.53	0.00%

16 Overall 2020/21 Revenue Budget Strategy

16.1 The key elements of the 2020/21 revenue budget strategy are:

- The revised budget reduction requirement of £18.169m for 2020/21;
- The budget reduction proposals set out in Section 10 of the report;
- The use of other funding opportunities to balance the 2020/21 budget, namely, the flexible use of capital receipts, collection fund surplus and specific and general corporate reserves:
- The approach to reserves and balances set out in Section 13 of the report; and
- Proposed Council Tax and Adult Social Care Precept levels set out in Section 15 of the report.

16.2 Having regard to the issues outlined at 16.1, the overall budget strategy for 2020/21 can be summarised as follows:

Table 30 – Overall Budget Strategy

Budget Strategy	2020/21	
	£000	£000
Directorate budget requirements	238,299	
Budget Reductions excluding use of reserves	(4,787)	
Budget for 2019/20 before use of reserves		233,512
<u>Less Government Funding</u>		
- Business Rates Top Up	(41,048)	
- Grants in Lieu of Business Rates	(11,230)	
- Improved Better Care Fund Grant	(10,858)	
- 2020/21 Social Care Support Grant	(6,954)	
- Independent Living Fund (ILF) Grant	(2,580)	
- Flexible Homelessness Support Grant	(194)	
- Homeless Reduction Grant	(164)	
- Rough Sleeping Initiative Grant	(37)	
- Housing Benefit Administration Grant	(778)	
- Council Tax Administration Grant	(360)	
- New Homes Bonus Grant	(598)	
- Department for Work and Pensions (DWP) New Burdens Grant	(122)	
- Lead Local Flood Authority Grant	(12)	
		158,577
<u>Less</u>		
Retained Business Rates	(50,424)	
Collection Fund Surplus	(1,400)	
Parish Precepts	(280)	
		106,473
<u>Add Precepts</u>		
Mayoral Police and Crime Commissioner Precept	12,011	
Mayoral General Precept (including Fire Services)	5,244	
Total Council Tax including Levies (A)		123,728
Current Council Tax, adjusted for Tax Base (B)		113,720
Difference (A-B)		10,008
This additional expenditure is being funded by resources from appropriations from earmarked reserves		

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- 16.3 If the proposals in this report are approved, the revised revenue budget position for 2020/21 would be as set out in detail at **Appendix 9**. The resulting indicative 2020/21 net revenue budget by portfolio and directorate is presented at **Appendix 10**.
- 16.4 The summary budget position for 2020/21 to 2024/25 is set out at **Appendix 11**. This presents a balanced position for 2020/21, a budget reduction requirement of £23.243m for 2021/22, and budget reduction requirements of £13.016m for 2022/23, £13.568m for 2023/24 and £12.921m for 2024/25.

17 Budget Strategy and Medium Term Financial Planning for Future Years

- 17.1 Although the Council's MTFS covers a five-year period (currently 2020/21 to 2024/25), it remains under continuous review as the local, regional and national policy landscape continues to develop and change. In addition, existing financial challenges are subject to change as new issues emerge. Each new issue or change has an impact, sometimes on a one-off basis, but more commonly, a multi-year effect. Estimates are prepared based on the best information currently available, and after the 2020/21 revenue budget has been finalised, the cycle of reviewing the budget reduction requirement for 2021/22 and future years will begin again.
- 17.2 As this section of the report highlights, there is a significant budget reduction target for the period 2021/22 to 2024/25. As the next financial planning cycle progresses, a key task will be to ensure that the suggested level of saving remains deliverable and that there are sufficient robust budget reduction proposals being prepared to contribute to addressing the target. The budget reduction requirement for 2021/22 in part reflects the use of reserves and other one-off measures that have been used to balance the 2020/21 revenue budget. Given the scale of the on-going challenge, the continued use of reserves up to 2023/24 is considered likely, whilst the transformation programme moves through its various phases of implementation.

Policy Landscape surrounding the development of Medium-Term Financial Plans

National Context

- 17.3 The General Election held on 12 December 2019 resulted in the Conservative Party being returned to Government with a majority of 80 MPs; their largest majority since the General Election of 1987. This decisive result allowed the new Government to secure Parliamentary approval for its EU Withdrawal Agreement which enabled the UK to leave the EU on 31 January 2020. The Government has also committed to securing a trade deal with the EU by December 2020 ruling out any extension to the post-Brexit transition period.
- 17.4 Whilst a clearer picture has emerged with regard to the Brexit process, there is little detail surrounding other priorities referenced in the new Government's Queen's Speech. Several commitments were made relating to funding for public services including the NHS, social care, schools and infrastructure. However, there is no clarity as to how Brexit will impact on the nation's public finances in the longer-term nor is there certainty as to how these commitments will impact on the Council's medium-term financial position. Details are unlikely to emerge in advance of the Chancellor's forthcoming budget statement scheduled for 11 March 2020. As soon as information becomes available, MTFS estimates will be updated as appropriate.
- 17.5 The overarching challenge in preparing the MTFS is that Central Government has so far only advised of allocations on major general fund grant funding streams until the end of 2020/21 which is, to a large extent, simply a roll forward of 2019/20 funding allocations. Given the challenges previously presented by the Brexit debate and the calling of the General Election this is unsurprising. However, it does make it extremely difficult to confidently predict the budget reduction requirement for financial years beyond 2020/21. Estimates have therefore been prepared based on several assumptions as set out in paragraph 17.16 below.
- 17.6 As part of the Spending Round announcement in September 2019, the Government stated that a full multi-year spending review would take place in 2020. As yet, there is no clear timetable outlining when or how this review will take place. This means there is virtually no indication of the level of funding Local Authorities can expect to receive for 2021/22 and beyond. However, as part of the 2019 Spending Round, the Chancellor declared the end of

austerity. This provides some hope that Local Government will continue to receive additional resources or to at least experience a reduced level of funding reductions. However, as the medium-term estimates provided later in this report show, this alone does not diminish the size of the financial challenge facing the Council. Having been subject to almost a decade of severe funding reductions, increased demand pressures and inflationary pressures, the Council has successfully managed to balance its budget whilst simultaneously protecting service provision as far as possible. However, in order to achieve this, since 2017/18, there has been an increase in the use of one off measures including the use of reserves.

17.7 Adding to the uncertainty created by the absence of any spending review estimates for 2021/22 and beyond, the Government has announced the following which is reflected in the presentation of the medium-term budget estimates:

- The Fair Funding Review of the Local Government finance system will conclude in 2020 and be implemented by 1 April 2021;
- The Business Rates system will move nationally to a 75% retention system from 1 April 2021. It is therefore anticipated that the Greater Manchester 100% Business Rates retention pilot scheme will cease at the end of 2020/21;
- Business Rates baselines will be reset for 2021/22 potentially redistributing existing gains and losses associated with the current system; and
- Business Rates revaluation will be implemented in April 2021 which will affect the amount of Business Rates paid by the occupiers of commercial premises. Revaluation will, in future, take place every three years.

17.8 The potential significant redistribution in general Government grant resulting from the four issues outlined above, whatever the level of resources made available on a national basis means that the development and provision of medium-term financial forecasts is extremely challenging. Therefore, whilst this section of the report presents forecast budget reduction requirements for the period 2021/22 to 2024/25, Members must consider these forecasts as indicative only.

Regional Context

17.9 As previously outlined in Section 3 of this report, Greater Manchester is taking forward an ambitious devolution agenda across a range of services and policy areas including health and social care integration, transport, strategic planning, housing, work and skills and the justice system. The ambition of the region is reflected in the Greater Manchester Strategy and a series of supporting strategies which are also described in Section 3 of the report.

17.10 What remains unclear is the extent to which this agenda will be supported by Central Government both in policy and in funding terms. The Government has, however, indicated it wishes to boost investment in the North and the Midlands and is reported to be considering changes to how the economic benefits of public spending are evaluated. Nonetheless, the Council's own organisational plans and strategies are heavily influenced by the devolution agenda particularly within the realm of the service and policy areas mentioned previously.

17.11 The GMCA appreciates the challenges associated with medium-term financial planning in the current environment, as it too is affected by the absence of any Central Government funding estimates beyond 2020/21. However, the GMCA and districts will continue to collaborate to ensure these challenges are handled consistently across the city-region. The GMCA is responsible for waste and transport levy charges which impact on the Council's budget and the impact of Mayoral budget spending decisions (with regard to the Mayoral precept) and also impact on Council Tax charges for Oldham citizens.

Local Context

- 17.12 Given the uncertainty presented by the national policy context and the absence of any Central Government funding estimates beyond 2020/21, the Council is taking the opportunity to review and refresh the Corporate Plan. As explained in Section 4 of this report, the plan is being updated to take account of recent developments including Oldham Cares as well as ensuring alignment with the devolution agenda. It is anticipated that the plan will be presented for approval in May 2020.
- 17.13 Whilst the Council believes the funding/resource position may ease in the medium-term, there remains a significant financial challenge which cannot be addressed through a short-term approach to budgetary planning. As a result, the Council is developing a major programme of transformation which aims to:
- identify, scope and agree the change initiatives required to ensure the Council and its partners can deliver the strategic ambitions they have for the borough and its residents as set out in a refreshed Corporate Plan;
 - drive the implementation of those changes to a successful conclusion;
 - make a substantial contribution to savings targets and medium-term financial plans.
- 17.14 The programme of transformation is supported by a range of existing medium-term strategies (detailed in Section 4 of this report) which are designed to make a positive contribution to the Council's financial standing as well as supporting the Oldham Plan and the refreshed Corporate Plan.
- 17.15 Specific themes underpinning the transformation programme together with indicative savings estimates are presented later in this section of the report.

Forecast Budget Estimates and Budget Reduction Requirements

Underlying Budget Assumptions

- 17.16 Notwithstanding the uncertainty presented by the national policy context, the Council has prepared high level budget estimates for the period 2021/22 to 2024/25. The key forecasting assumptions underpinning the estimates are as follows:
- Pay Awards – 2.5% per annum throughout the forecast period;
 - Price Inflation – Allocations are based on forecasts for general price inflation together with sector specific estimates relating to major contracts covering, for example PFI contracts and utilities;
 - Pension Contributions – Local Government employer contribution rates are assumed to remain at 20.6%. Proposed savings from advance contributions for the latest Triennial period will cease after 2022/23;
 - Waste Disposal and Transport Levies – Forecasts are aligned with the latest estimates provided by the GMCA;
 - Investment Fund – Estimates for future capital financing costs are aligned with the latest Capital Programme and Capital Strategy and are based on the current market and economic outlook set out in the Council's Treasury Management Strategy (elsewhere on the agenda);
 - Development Fund – General budgetary provision is included for future policy decisions, demand, spending pressures and new initiatives;
 - Public Health Grant – Reinstated after the cessation of the GM 100% Business Rates retention pilot scheme;

- Health and Social Care Grants – All improved Better Care Fund, Winter Pressures and Social Care Support grants are expected to continue throughout the forecast period at 2020/21 levels (cash standstill);
- Homelessness Grants are expected to continue at a 2020/21 standstill level throughout the forecast period.
- Council Tax/Housing Benefit Administration/Lead Local Authority Flood Grants – These grants are expected to continue throughout the forecast period at 2020/21 levels (cash standstill);
- New Homes Bonus – This grant will cease after 2020/21 in line with comments made by the Secretary of State as part of the Provisional LGFS;
- Business Rates – Retained revenues and associated Government grant top ups and compensation payments are assumed to grow by at least 2% per annum. The 100% Business Rates retention pilot scheme will cease after 2020/21 and be replaced by a reset national 75% retention scheme;
- Council Tax – Referendum limits are expected to remain at 4% covering a 2% Adults Social Care Precept and a General Council Tax increase of 2%
- Local Adult Social Care Precept – This is assumed to continue at 2% per annum with resources passported through to Community Services and Adult Social Care;
- Local Council Tax General Increase – The proposed increase in Council Tax for general purposes of 0.99% for 2020/21 is assumed to revert back to a 1.99% per annum increase for the remainder of the forecast period (but of course will be subject to an annual review).

17.17 Other assumptions relating to expected levels of expenditure within the Council's MTFS are as follows:

- Portfolios will not overspend against their approved budget allocations;
- Budget pressures other than those that are approved to be funded corporately are expected to be met from within the Portfolio's approved allocations;
- Options for future budget reductions presented as part of the Council's transformation programme and approved by Council as part of the budget setting process each year will be integrated into the base budget and owned by the appropriate budget manager;
- General Balances and reserves will be 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 be self-sustaining and any surplus or deficit is financed via the Housing Revenue Account Reserve;
- The recovery plan for Dedicated Schools Grant (DSG) activities is assumed to be delivered in full with no requirement for additional financial support from the General Fund.

17.18 It is important to note that there are sensitivities in relation to each of these assumptions, and therefore detailed MTFS workings will consider probable, best and worst case scenarios. The MTFS estimates presented in this report show the probable scenario.

Oldham Council and Oldham CCG Budgetary Alignment

17.19 Leading up to the period 2021/22 to 2024/25, consideration will be given to incorporating most of the Community Health and Adult Social Care Service, Children's Social Care, Public Health and CCG Primary and Secondary Care commissioning in addition to Better Care Fund activities, within the Section 75 pooled funding agreement between Oldham Council and Oldham CCG.

17.20 There are clearly significant implications for the financial planning and financial management arrangements of the Council as the budgets of the Council and the CCG are

more closely aligned. Traditional budget preparation and monitoring arrangements will be replaced with revised processes. Detailed work is required to ensure that any financial risk to the Council is minimised and that new working arrangements continue to demonstrate value for money. This will be progressed over the forthcoming months and any implications will be factored into revisions to the MTFS.

Risks and Uncertainties

- 17.21 Although the decisive election of a new Government in December 2019 has provided some certainty with regard to policy intent; particularly with regard to Brexit, it remains unclear as to how specific pledges with regard to this issue, public spending and other reforms will impact on Local Authorities. Several policy announcements made before and since the General Election could have major implications for the future of Local Government. As well as the Fair Funding review and Business Rates retention reform, the Government has signalled there will be a longer-term spending review process taking place during 2020, additional funding for the NHS, a plan for the long-term reform of social care, more investment in the north and the midlands, a review of Business Rates from a taxation perspective and the publication of an English devolution White Paper. The Chancellor will also deliver a budget statement on 11 March 2020; shortly after Councils have set their budgets for 2020/21. Any of these or indeed other policy initiatives or new legislative burdens could have major service and/or financial implications for the Council which are not currently reflected in the medium-term estimates. In addition to these uncertainties presented by the national policy context, there are several further risks surrounding the estimates which are detailed below.
- 17.22 Whilst the medium-term financial estimates reflect a series of assumptions relating to inflation levels, pay awards, interest rates, service demand, levy increases, Government funding, locally generated funding and the profile of capital programme investment, there is scope for significant variation due to the challenge of preparing forecasts for all of these variables in what remains a turbulent and uncertain global political and economic environment.
- 17.23 At the local level, the medium-term financial estimates also assume continued buoyancy in the growth of the Council Tax Tax Base and no material deterioration in collection rates for local tax revenues. These assumptions rely on the successful delivery of the Council's housing strategy and the ability to deliver new housing as well as being able to maintain or improve collection rates for Council Tax and Business Rates. Business Rates, in particular, continues to present specific forecasting challenges due to general volatility surrounding Business Rates income, the impact of appeals and changes in Government policy around Business Rates reliefs. This is compounded by the planned reset of the system, the move to 75% Business Rates Retention and the forthcoming revaluation process. The medium-term financial position of the Council will also be affected by future decisions regarding Council Tax increases and increases in fees and charges for Council services.
- 17.24 In view of the significant risks and uncertainties surrounding the medium-term financial estimates, the assumptions and calculations underpinning these forecasts will be regularly reviewed and updated.

Forecast Budget Reduction Requirements (2021/22 to 2024/25)

- 17.25 Summarised in Table 31 is the forecast budget reduction requirement for the period 2021/22 to 2024/25. This is based on the assumptions detailed above and high-level estimates presented at **Appendix 11**. The figures assume all 2020/21 budget reduction proposals presented as part of this report will be approved and implemented in full.

- 17.26 The information presented below, assumes no use of one off measures to support the 2021/22 and future years budgets. However, as presented at paragraph 17.63 the continued but reducing use of reserves and one off arrangements is expected to continue to 2023/24.

Table 31 – Forecast Budget Reduction Requirements (2021/22 to 2024/25)

Estimated revenue position 2021/22 to 2024/25	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000
Total Expenditure	240,545	246,935	254,362	260,869
Total Funding	(227,310)	(233,919)	(240,794)	(247,947)
Use of Reserves in 2020/21	10,008			
Forecast Budget Reduction Requirement	23,243	13,016	13,568	12,921

Transformation Programme

- 17.27 As previously stated, the Council is in the process of developing a programme of transformational activity which will make a substantial contribution towards addressing the forecast budget reduction requirements for 2021/22 onwards. The programme is being developed alongside a refreshed Corporate Plan which is due to be presented for approval in May 2020.
- 17.28 The programme comprises several workstreams guided by outcomes included in the forthcoming Corporate Plan. A description of each of the main workstreams and associated activities expected to contribute to addressing future budget reduction requirements is set out below.
- 17.29 The significant financial challenge the Council is facing means that there will need to be an acceleration of the existing programme of transformation to deliver a sustainable balanced budget with a reduced reliance on one off measures. This transformation agenda will continue to focus on several key areas of the operating model.

Assets, Investment Programme and Inward Investment

- 17.30 Corporate land and property assets are essential to the delivery of the Council's priorities which will be set out in the forthcoming Corporate Plan. As part of the 'Creating a Better Place' initiative approved by Cabinet on 16 December 2019 and 27 January 2020, the previously approved Medium-Term Property Strategy (MTPS) has been reviewed to meet the scale of the change required. At a strategic level, the review has confirmed that the Council's property portfolio can be a catalyst for building new homes, creating job opportunities, re-skilling residents through new apprenticeship opportunities, and re-engaging communities and partners through property / estate co-location and collaboration.
- 17.31 Members will recall that the 2019/20 budget included a budget reduction proposal of £0.500m arising from property and accommodation reviews. This is being delivered, but anticipated savings of £4.000m originally profiled equally over 2020/21 and 2021/22 have been rephased.
- 17.32 Developing the existing programme of work on the use of property and assets, the Council will maximise the benefit from the corporate estate by developing property disposal and procurement routes that will ensure the Council is able to shape and maintain a property portfolio that will support service delivery and contribute a sustainable income stream.

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- 17.33 In addition, the Council will rationalise its office accommodation. Where possible, the Council will co-locate staff with partners to maximise efficiencies and realise the potential of 'One Public Estate' for Oldham and Greater Manchester. It will also drive forward integrated working across the public sector, building on the achievements made with Oldham Cares partners.
- 17.34 The regeneration of Oldham town centre remains a Council priority with several major schemes currently under development as part of the Creating a Better Place initiative. There are also ambitious plans for the regeneration of the borough as a whole with investment in Royton and projects in train at Hollinwood and Foxdenton.
- 17.35 Significant capital investment is needed to deliver the town centre vision, new homes and the vision for the rest of the borough. These resources are reflected in the Capital Strategy and Capital Programme for 2020/21 to 2024/25 (elsewhere on the agenda).
- 17.36 This investment will bring future benefits to Oldham through additional economic and housing growth, which may provide increased revenue from, for example, Council Tax. In addition to the budget reduction of £0.261m proposed for 2020/21, further budget reductions are expected – net of required offsetting costs, the anticipated budget reduction for 2021/22 is £1.384m, £2.141m in 2022/23 and £5.925m in 2023/24.
- 17.37 Within this workstream, the Council and partners will continue to maximise funding opportunities including through commercial activities. This will ensure that the strands of the recently refreshed Income Strategy and Corporate Property Investment Strategy are delivered to generate a sustainable future income stream to support the Council's mainstream service delivery.

Digital by Design

- 17.38 The opportunity to utilise the advantages provided by new technology is the foundation upon which much of the Council's change agenda will be driven including integrated working arising from health and social care devolution. The Council's IT strategy is determining the direction of travel and is supported by £10.985m of Capital Programme investment. This investment will enable new and more efficient ways of working and will improve citizens' access to Council services. It also improves the business intelligence supporting service delivery decisions.
- 17.39 A key strand of this investment is the Digital Oldham Ambition which is to inclusively deliver a connected Oldham for everyone across place, communities, services, teams and leadership.
- 17.40 A digital maturity assessment has been undertaken, using a model that assesses an organisation against five key themes, including: governance and leadership; people and culture; capacity and capability; innovation and change and technology. The Council aims to double its level of digital maturity over a 2-year period. A digital delivery plan will outline how this ambitious increase in maturity will be realised through an iterative and outcomes-orientated approach to change.
- 17.41 The reduction in costs associated with providing digital access, self-service, automation and more efficient ways of working are expected in line with the rephased 2020/21 budget reduction proposal at a value of £0.500m in each of 2022/23, 2023/24 and 2024/25.

Design and Assurance

- 17.42 The 2019/20 Design and Assurance budget reduction was also expected to deliver a £0.250m in 2020/21. The budget reduction will deliver in full in 2021/22 linked to the phased introduction of new operating arrangements around the Strategy and Performance service, Communications Team and transformation Programme Management Office.

Green New Deal

- 17.43 In July 2019, the Council announced its commitment to be the UK's first Green New Deal Council, with a target of carbon neutrality for the borough by 2030, and for the Council itself by 2025. Consequently, the Council is already exploring opportunities to install solar photovoltaic panels to increase local renewable energy generation and increase the flexibility of local energy supply.
- 17.44 The revised CPIS will support the delivery of Green New Deal objectives by facilitating investment in green technologies such as energy efficiency and renewable energy projects. Although these projects require up front capital investment it is anticipated they will generate a return from both increased revenue and/or reduced operating costs as well as contributing towards achieving the carbon neutrality target.
- 17.45 It is expected that budget reductions aligned to the Green New Deal will take time to develop and are not expected to support the budget until 2023/24.

Place-Based Model

- 17.46 To facilitate the integration of public services delivery and thus improve outcomes for people and communities in the borough, the Council intends to align the geographical footprints of Council Districts with that of key public services in the borough including Primary Care Networks (GPs), Adult Health and Social Care Community Providers, neighbourhoods police beats and housing management areas.
- 17.47 Although place-based integration is not new to Oldham, it has not, so far, developed at the scale required to achieve fully integrated public services across all providers within the borough. Alignment of capacity and resources across all services and providers is a critical step towards operating to a shared purpose and working in a holistic way with people and communities.
- 17.48 It is important not to double count budget reductions aligned to other initiatives, but it is expected that savings will accrue from 2022/23.

Health and Social Care Integration

- 17.49 As advised earlier in the report, and linked to the Assets and Investment Programme above, good progress continues to be made with regard to Health & Social Care integration. Oldham Council and Oldham CCG are working under a joint leadership structure and together with other health partners continue to operate as Oldham Cares. There are ambitious plans for the improvement of the delivery of health and social care with structure implementation arrangements and this aims to ensure the future financial sustainability of the local health and social care economy.
- 17.50 Linked to the health and social care devolution agenda is the opportunity to develop closer working arrangements with other partners including other GM Authorities and the GMCA. The Council will look to build on the existing collaborative working arrangements by:
- Sharing and co-locating more services as a means to deliver future financial and operational efficiencies building on the five cluster teams already in place across the borough;
 - Moving to an outcomes based commissioning model and integrating Council and CCG commissioning functions; and
 - Considering aligning Council and CCG budgets under the umbrella of a broader Section 75 Agreement incorporating the Community Health and Adult Social Care Service, Children's Social Care, Public Health and CCG Primary and Secondary Care commissioning in addition to Better Care Fund activities.
- 17.51 Locally, the model of integrated delivery will complement health and social care integration in neighbourhoods, where closer working with police, housing providers, Voluntary, Community, Social, Faith and Enterprise (VCSFE) organisations and others is improving operational efficiency and effectiveness whilst also strengthening local engagement and enabling communities to contribute more significantly to improving outcomes.
- 17.52 It is inevitable that change of the magnitude envisaged will take time to be developed however, potential savings are expected from 2021/22 and will increase over the MTFS period.

Organisational Design

- 17.53 The developments set out above coupled with the enhancement of revised working arrangements between the Council and its strategic delivery partners will have implications for the structure of the Council and the operating model the Council adopts to deliver services in the future. As well as being prompted by policy and service developments, continuing the transformation of the Council's operating model will be necessary to support the delivery of future savings requirements and a sustainable balanced budget position.

Workforce Development

- 17.54 A further enabler to transformation is the drive to support new ways of working to ensure that all employees can deliver services more effectively. Alongside better use of assets and digital technology, this will improve productivity and open up additional opportunities for transforming services to help ensure the Council can operate within available resources for the medium to long term.
- 17.55 As well as continuing to support flexible workstyles, the Council is evaluating the benefits of moving to an agile model of working which is about bringing people, processes, connectivity and technology, time and place together to find the most appropriate and effective way of working to carry out a particular task.

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- 17.56 The wider adoption of flexible workstyles and agile working will also necessitate a review of terms and conditions attached to particular posts to ensure remuneration including payment of allowances (e.g. car allowances) remains fair and equal.

Cross Cutting Activity - Income Generation

- 17.57 The Creating a Better Place investment programme is a key contributor to the Council's objective of generating additional income to support the financing of local services as set out in the approved Income Strategy. Success in this regard means the Council will become less reliant on central Government Grants, Business Rates and Council Tax revenue. To support this endeavour and its wider Income Strategy, the Council will ensure:

- Fees and charges are reviewed annually, and an assessment will be undertaken to determine the extent to which costs are recovered through charging arrangements;
- Traded Services will be reviewed to ensure they are delivering services efficiently and effectively;
- Wholly owned companies such as the Unity Partnership and Miocare explore opportunities for generating income from clients other than the Council to reduce the contribution the Council provides towards operating these companies.

- 17.58 As indicated in the 2019/20 Revenue Budget Report, additional bus lane enforcement was one area to be considered for potential adoption. However, following a further review the service has advised that there is no additional income potential from this particular activity.

- 17.59 Although not specifically income generation, the Council will continue its efforts to maximize grant income and bid for external resources for both revenue and capital priority projects to reduce the requirement for specific Council funding.

- 17.60 At this stage no specific budget reductions have been assigned to income generation, but as initiatives are progressed, more definitive estimates will become available.

Cross Cutting Activity – Continued Collaboration with Partners and Budget Review

- 17.61 Underpinning all transformation workstreams will be:

- An approach to service delivery where the Council (and its partners) will be making new strategic choices based on the characteristics of Oldham, its people and communities within the borough, thus constantly striving for new opportunities for collaboration and new ways of working between organisations that share a common footprint.
- A review of the provision of discretionary services and also the level at which statutory services are delivered.
- Traditional approaches to reviewing budgets and the identification of service specific budget reductions and efficiencies.

Indicative Savings to be derived from Transformation Programme

17.62 The following table summarises the indicative savings that may be achievable from the successful delivery of the above-mentioned transformation workstreams. Detailed delivery plans are being developed. These will be evaluated and risk assessed prior to their presentation to Members as budget reduction proposals. Proposals will then be considered by Members for approval before being deployed to offset future budget reduction requirements.

Table 32 – Indicative Transformation Programme Savings (2021/22 to 2024/25)

Indicative Transformation Programme Savings 2021/22 to 2024/25	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000
Initiatives Previously Approved				
Assets, Investment Programme and Inward Investment	1,384	2,141	5,925	
Digital by Design		500	500	500
Design and Assurance	250			
New Initiatives				
Green New Deal			200	300
Place-Based Model		100	200	300
Health and Social Care Integration	100	200	300	450
Indicative Transformation Programme Savings	1,734	2,941	7,125	1,550

17.63 In addition, the Council has reserves available that it may wish to deploy to support future years revenue budgets. The following table provides an indication of the potential use of reserves and one off measures that Members may consider using to support the budget from 2021/22 to 2024/15. However, it must be emphasised that the utilisation of reserves only provides temporary support and does not address the underlying budget reduction requirement in the medium to long term, it will however, provide time for the transformation programme to develop more fully and therefore the identification of sustainable budget reductions.

Table 33 – Indicative Use of Reserves and Other One-Off Measures (2021/22 to 2024/25)

	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000
Earmarked Reserves				
Specific Reserves	1,219	0	0	0
General Use of Reserves	6,000	4,500	3,900	0
Total potential use of Earmarked Reserves	7,219	4,500	3,900	0
Other One-off Resources				
Flexible Use of Capital Receipts	2,000	0	0	0
Total potential use of Other One-off Resources	2,000	0	0	0
TOTAL	9,219	4,500	3,900	0

Revised Indicative Forecast Budget Reduction Requirements

- 17.64 For illustrative purposes, if the indicative use of reserves and other one-off measures in the tables above are applied to the budget estimates then the revised forecast budget reduction requirement for 2021/22 falls to £12.290m. If this requirement is met (with no further one-off measures which impact on future years), the 2022/23 revised target would be £14.794m. If the forecast budget reduction for 2022/23 is met in full then the revised target for 2023/24 would be £7.043m. If this is met in full then the requirement for 2024/25 would be £15.271m. These revisions are shown in Table 34 below:

Table 34 – Revised Indicative Forecast Budget Reduction Requirement

Estimated revenue position 2021/22 to 2024/25	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000
Forecast Budget Reduction Requirement	23,243	13,016	13,568	12,921
Indicative Transformation Programme Savings	(1,734)	(2,941)	(7,125)	(1,550)
Potential Use of Earmarked Reserves	(7,219)	(4,500)	(3,900)	
Reversal of Earmarked Reserve Use		7,219	4,500	3,900
Flexible Use of Capital Receipts	(2,000)			
Reversal of Flexible Use of Capital Receipts		2,000		
Revised Forecast Budget Reduction Requirement	12,290	14,794	7,043	15,271

- 17.65 Further phases of the transformation programme together with other budget processes will clearly be employed to address the remaining forecast budget reduction requirement.

Reserves and Balances

- 17.66 In the light of the risks and uncertainties highlighted in the report, it is important to maintain a healthy and robust level of reserves and balances to manage uncertainty in both the current and next spending review period. Based on the level of reserves and balances as set out in Section 13 of the report, the Council meets this requirement.
- 17.67 Whilst the tables above indicate a potential use of reserves of £15.619m over the period 2021/22 to 2024/25, the Council will be able replenish reserves by good budget management practices and income generation. There will also be the £5.900m available due to a reduction in the contribution to the pooled budget in the years 2021/22 (£1.000m), 2022/23 (£1.000m) and 2023/24 (£3.900m).
- 17.68 The continued reliance on the use of reserves is not without risk but the position will be effectively monitored in line with the Councils Reserves Policy and reported to the Audit Committee.

18 Pay Policy Statement

- 18.1 Included at **Appendix 12** is the Council's current Pay Policy Statement. This Statement sets out the Council's approach to pay policy in accordance with the requirements of Section 38 to 43 of the Localism Act 2011, which requires approval of the Statement through full Council. The purpose of the statement is to provide transparency about the Council's approach to setting the pay of its employees, with particular emphasis on the level of remuneration for senior staff.

19 Options/Alternatives

- 19.1 The options as follows:

- Option 1 – Cabinet accepts the assumptions and resulting financial forecasts presented within the report and the budget position at Appendix 4.
- Option 2 – Cabinet proposes amendments to the assumptions which will change the resulting budget reduction requirement and financial forecasts.
- Option 3 – Cabinet approves and commends to Council for approval the contents of the report including all the budget reduction proposals to the value of £3.011m and the approach to the use of reserves and balances and as well as Council Tax and Adult Social Care Precept increases.
- Option 4 - Cabinet requests that further work is undertaken on some or all of the budget proposals and the approach to Council Tax, reserves and balances and that Council considers a revised position.

20 Preferred Option

- 20.1 Options 1 and 3 are the preferred options. Assumptions are based on objective research and the latest available information. The Council has a statutory duty to set a balanced budget and the budget reductions included in this report along with the proposed use of reserves fulfil that requirement.

21 Consultation

- 21.1 Presentation of this report to the Overview and Scrutiny Performance and Value for Money (PVFM) Select Committee was a key stage in the budget consultation process and it considered a version of this report at its meeting on 23 January 2020. A total of 7 proposals were presented for consideration but it is important to note that no public consultation has been required as they do not have a frontline service impact.
- 21.2 The members of the Select Committee questioned and challenged assumptions and issues outlined in the report. There was also detailed scrutiny of the 7 budget reduction proposals and proposed changes to fees and charges. The Select Committee accepted the responses to the questions and was therefore content to commend the report to Cabinet for consideration.
- 21.3 Section 65 of the Local Government Finance Act 1992 requires Local Authorities to consult ratepayers (or their representatives) about its proposals for expenditure for the forthcoming financial year. During January 2020, the Council consulted representatives of the business community on the proposed Revenue Budget 2020/21 and Medium Term Financial Strategy 2020/21 to 2024/25. There were no responses to the consultation material issued.
- 21.4 The Schools Forum has been consulted on the proposed allocation of resources via the Schools Funding Formula (meetings of 27 November 2019 and 15 January 2020) and has agreed the recommended approach.

21.5 The Council has submitted a consultation response to the MHCLG on the Provisional LGFS and other key consultation documents.

22 Financial Implications

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

23 Legal Services Comments

23.1 Legal issues are addressed in the body of the report. The Council has a legal obligation to pass a resolution to agree its budget and Council Tax resolutions by 11 March 2020.

Colin Brittain (Assistant Borough Solicitor)

24 Co-operative Agenda

24.1 As a Co-operative Council, Oldham is committed to reforming public services and encouraging innovation, leading to better outcomes and delivery. The revenue budget projections have been prepared so that they support the Council's co-operative agenda with resources being directed so that the aims, objectives and co-operative ethos of the Council are delivered.

(Jonathan Downs, Corporate Policy Lead)

25 Human Resources Comments

25.1 The budget reduction proposals detailed at Appendix 5 and 6 contain two options with potential FTE post reductions; Property Savings and Accommodation review and Financial Services redesign, which together total 7.70 FTE.

25.2 The statutory requirement to commence formal collective consultation on potential job losses is triggered where the employer proposes to dismiss as redundant more than 20 employees over a 90 day period. The Council would normally commence collective budget reduction consultation by issuing the trade unions a formal "S188" document which details all the budget proposals where there may be job losses and consultation would take place with employees and trades unions for a minimum of 45 days; in any event to finish just prior to the budget Council meeting.

25.3 However, it has been decided that this year there is no requirement to undertake this normal process and that, instead, each of the two proposals will be dealt with separately at the point the services are in a position to commence consultation on any potential changes. The process will follow the Council's agreed process for restructuring and will honour any minimum time scales for consultation with employees and trade unions in the event that any actual redundancies are envisaged.

25.4 The trades unions have been consulted regarding the above change to the normal budget reduction process and are supportive as long as full and proper meaningful consultation takes places on the proposals and that the "normal" minimum 45 day consultation period is observed should they consider this be necessary in any particular case. In turn officers have agreed that this will be considered on a case by case basis. In any event the minimum consultation period will be 30 days.

Sally Blackman (Employee Relations Manager)

26 Risk Assessments

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

Mark Stenson (Head of Corporate Governance)

27 IT Implications

27.1 Any specific IT implications associated with the proposals included in the report are detailed within the individual budget reduction proformas included at Appendix 6.

28 Property Implications

28.1 Any specific property implications associated with the proposals included in the report are detailed within each individual budget reduction proformas included at Appendix 6.

29 Procurement Implications

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

30 Environmental and Health & Safety Implications

30.1 Environmental and Health and Safety implications will be considered when dealing with the individual proposals as appropriate.

31 Equality, community cohesion and crime implications

31.1 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.

31.2 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; and
- 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 the Council must be clear where this is the case and must be able to demonstrate that it has consulted, understood and mitigated the impact.

31.3 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; and
- Set out arrangements for monitoring the actual impact of the proposal.

31.4 The Equality Act 2010 extends the public sector equality duties to cover nine protected characteristics, namely:

- age,
- disability,
- gender,

-
- gender reassignment,
 - marriage and civil partnership,
 - pregnancy and maternity,
 - race,
 - religion and belief and
 - sexual orientation.

31.5 In December 2010, the Government announced that it would not be taking forward the socio-economic duty for public bodies. Despite this the Council has continued to consider people on low incomes as part of its equality impact assessment process.

31.6 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.

31.7 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; and
- implement a stronger equality monitoring and management process to ensure that the Council follows through on any commitments. This includes identifying risks to implementation and how these will be managed.

31.8 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 Director / 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.

31.9 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 initial screening does not accurately identify those equality groups potentially affected and that a further screening process needs to be completed.

31.10 Full equality impact assessment – An equality impact assessment is carried out if the initial screening identifies that the proposal could have a potential significant, disproportionate adverse equality impact.

31.11 A key element to assessing the equality impact has been the involvement of elected Members. This involvement has included:

- Consideration of equality impacts throughout the Leadership Star Chamber process, including through the initial screenings on the proposal forms and a briefing paper;
- Briefings between 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, were submitted to, and considered by PVFM Select Committee. NB: Where public consultation was required, the EIA forms were still in draft form at that stage;
- Final EIAs are available to Members alongside the budget reduction proposals included in this report.

31.12 Following an initial equality impact screening process for the budget proposals included within this report, it was determined that none of the proposals required public consultation or the completion of a full equality impact assessment.

(Jonathan Downs, Corporate Policy Lead)

32 Key Decision

32.1 Yes

33 Key Decision Reference

33.1 FCS-12-19

34 Background Papers

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

File Ref: Background papers are contained in Appendices 1 - 12
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35 Appendices

- Appendix 1 - Council Policies and Strategies
- Appendix 2 - Dedicated Schools Grant 2020/21
- Appendix 3 - Council Tax Tax Base 2020/21
- Appendix 4 - Current Budget Position 2020/21
- Appendix 5 - Full Summary – Budget Reductions
- Appendix 6 - Detailed Budget Reduction Proposals
- Appendix 7 - Proposed 2020/21 Fees and Charges Schedules
- Appendix 8 - Indicative Council Tax Charges
- Appendix 9 - Budget Position 2020/21 post Budget Proposals
- Appendix 10 - Indicative Net Revenue Budget Presentation 2020/21
- Appendix 11 - Summary MTFS Position 2020/21 to 2024/25 post Budget Proposals
- Appendix 12 - Draft Pay Policy Statement 2020/21
 - 12a – Table 1: Senior management remuneration
 - 12b – Chart 1: Family tree of officers earning over £50k
 - 12c – Table 2: Salaries expressed as a ratio of the Chief Executive as at December 2019