
Report to the Overview and Scrutiny Performance and Value for Money Select Committee

Revenue Budget 2021/22 and Medium Term Financial Strategy 2021/22 to 2023/24

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Reason for Decision

To provide the Overview and Scrutiny Performance and Value for Money (PVFM) Select Committee with the forecast budget reduction requirement and the Administration's budget proposals for 2021/22 together with forecast budget reduction requirement estimates for the period 2022/23 to 2023/24 having regard to the Provisional Local Government Finance Settlement published on 17 December 2020.

Executive Summary

This report sets out proposals for the Council's Revenue Budget for 2021/22 and Medium Term Financial Strategy for 2021/22 to 2023/24. 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 2021/22 together with updated budget reduction requirement estimates for the period 2022/23 to 2023/24.

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 2021/22 and Medium Term Financial Strategy to 2023/24.

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, the review of Relative Needs and Resources, Business Rates Reform and Revaluation together with a commentary on the Council's financial resilience.

The report also highlights policy announcements and implications arising from the Government's 2020 Spending Round published on 25 November 2020 and the Provisional Local Government Finance Settlement (LGFS) published on 17 December 2020.

Key items of funding confirmed in the 2021/22 Provisional LGFS were:

- Continuation of the expected Improved Better Care Fund Grant at a value of £10.858m;
- An increase to the Social Care Support Grant of £1.993m taking the total allocated to £8.947m. The £1.993m has been used to support the budget by offsetting assumed pressures in the children's and adults social care budgets;
- A new 2021/22 allocation for Lower Tier Services Support Grant (£0.407m). This new grant has been used to support the 2021/22 budget;
- A Local Tax Income Guarantee grant for 2020/21. A sum of £1.000m is anticipated and will be incorporated into the accounts for 2020/21. This will then be taken forward as a reserve to support the budget for 2021/22
- The notification of a new Local Council Tax Support Grant at a sum of £3.183m. This has been used in full to support the 2021/22 budget;
- The allocation of unringfenced COVID grant of £7.737m. This has been used to finance COVID related pressures that had been anticipated of £3.741m. The balance offsets anticipated further pressures.
- The continuation of Sales, Fees and Charges grant compensation in 2021/22. The availability of this potential funding stream is part of the budget strategy to address COVID;
- The switching of unringfenced homelessness grant funding of £0.358m to a new ringfenced grant, the Homelessness Prevention Grant of £0.532m; and
- A reduction in the Business Rates Top Up grant of £0.399m, leading to a reduction of Grants in Lieu of Business Rates of £0.697m.

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 2021/22 without the need to hold a referendum.

The Government also confirmed the continued ability to charge an Adult Social Care Precept allowing a combined increase of up to 3% in Council Tax across 2021/22 and 2022/23 (ringfenced for use for Adult Social Care).

The Council Tax referendum limits for 2021/22 applicable to the Council therefore allow an overall increase of 4.99% without requiring a referendum.

Members will recall that the Council Tax policy approved within the 2020/21 budget was that for 2021/22, the Council would revert to its previous policy. 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 referendum limits for 2021/22 as advised 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 4 March 2021.

The Government proposes not to set Council Tax referendum principles for Mayoral Combined Authorities in 2021/22 but does intend to set referendum principles for Police and Crime Commissioners (including the GM Mayor) capped at a value of £15. As such, Mayoral intentions with regard to the Police and Crime Commissioner Mayoral General precept are yet to be notified.

The report also advises of the proposal to leave the Council Tax Reduction Scheme for 2021/22 unchanged from 2020/21. However, during 2020/21, working age Council Tax reduction recipients have benefitted from support of £150 from a Government Hardship fund. This scheme is not continuing in 2021/22 and it is recommended that the Council reviews its financial position during 2021/22 to determine if it is able to provide any additional hardship relief.

The starting point for preparing the 2021/22 revenue budget estimates is the Month 8 2020/21 revenue budget forecast outturn position and summarised in Section 8. It highlights a current adverse projected variance for 2020/21 of £8.330m (including COVID pressures). A reduction in this overspend position is anticipated as a result of further funding being provided by Central Government and contributions from partners alongside management actions. However, it is important to note that if there is any remaining overspending at the end of 2020/21 then it will need to be funded by the use of reserves.

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 including the mid-year adjustment to estimates from a budget reduction requirement of £23.251m to £29.940m (rounded to £30.000m). The major elements of this adjustment were addressing budget reduction proposals for 2020/21 (some approved in the budget for 2019/20) that cannot be achieved (£2.089m), reduced treasury management income of £6.600m and an assumption that Flexible Use of Capital receipts at a value of £2.000m would support the budget.

Since the mid-year budget review, there have been further changes to the estimates. Key expenditure adjustments following the mid-year review include:

- £0.441m for additional treasury management and education services pressures:
- £7.737m for pressures arising from COVID fully financed by Government grant
- A net reduction of pressures of £2.777m due to:
 - a revision of estimates for the cost of financing capital expenditure (Investment Fund) at a reduction of £1.650m;
 - reducing the estimate for pay inflation (£1.017m);
 - releasing unallocated Development Fund resources of £0.825m but in effect using it to finance pressures relating to a contract with a third party supplier (£0.500m) and costs no longer chargeable to the Dedicated Schools Grant (£0.265m)
 - the release of £0.050m of resources that were previously allocated to support additional Coroners Service pressures identified through the 2019/20 Revenue Monitoring Process;
- £0.176m reduction in spending relating to a revision to assumed passported Adult Social Care precept and Parish Precepts.

In relation to income pressures, the report highlights:

- A reduction in Retained Business Rates Grants and locally generated Business Rates income of £1.454m.
- £13.138m of increased Unringfenced Grant Funding, primarily £7.737m of COVID Grant, £3.183m Local Council Tax Support Grant and an increase of £1.993m for the Social Care Support Grant.
- A reduction in the Council Tax Tax base (due to the impact of the increase in claimants of Council Tax Reduction resulting in a total reduction from that expected in Council Tax income of £2.607m of which £0.175m relates to ASCP that cannot be passported to the service.

Section 9 also advises of a Collection Fund deficit that must be charged to the General Fund of £25.624m. Of this sum £0.161m relates to an adjusted 2020/21 balance using flexibilities allowed by Central Government. The balance is a technical adjustment required to the budget as a result of the Collection Fund deficit caused by the Government introducing Business Rate reliefs for retail, leisure, hospitality and nursery businesses after the 2020/21 budget had been set. The estimated sum (the final figures will only be confirmed at the end of the financial year) is £25.463m. Government is paying the Council grant compensation for this loss of Business Rates income through 2020/21 and this will be carried forward as a reserve. This will then offset the Collection Fund deficit but has a significant impact on the overall use of reserves.

Based on the latest estimates, the budget reduction requirement for 2021/22 has decreased from the previously reported figure of £29.940m to £27.908m, increasing to £53.371m after the technical adjustment.

Section 10 of the report details the Administration's budget reduction proposals. There are a total of 43 proposals expected to deliver savings of £8.920m (of which one is a use of reserves), leaving recurrent budget reductions of £8.793m.

In 2021/22, if approved in full, these recurrent proposals further reduce the budget reduction requirement to £44.578m for 2021/22.

Sections 11 and 12 explain the approach to balancing the 2021/22 budget. Importantly, the budget strategy of using £29.000m of reserves to support the budget over a two year period (2021/22 and 2022/23) is outlined together with the use of the opportunities provided by the ability to use Capital Receipts to support spending on transformational projects up to a value of £2.000m in 2021/22.

A number of specific and corporate reserves will be used to address the balance as follows:

- £25.463m of Section 31 grant received in 2020/21 held to support the Collection Fund Deficit in 2021/22 as a result of Business Rates relief for retail, leisure and hospitality (a technical adjustment);
- £0.127m as a result of budget reduction proposal REF-BR1-432;
- £1.000m of 2020/21 Earmarked Reserves created as a result of the Local Tax Income Guarantee grant; and
- £15.988m of other reserves brought forward from 2019/20.

There is also a reserve held at a value of £12.012m to support the 2022/23 budget if required.

Approval of the proposals set out in this report in full by Budget Council would deliver a balanced revenue budget for 2021/22.

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).

The final section of the report sets out the Councils MTFS covering the period 2021/22 to 2023/24, a shorter timeframe than is usual practice given the uncertainties created by COVID and the lack of clear direction Government funding intentions for future years.

It is important to note that as the Government has only provided grant funding notifications for 2021/22, the MTFS estimates for 2022/23 to 2023/24 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.

After having addressed the £27.908m (adjusted for the technical Business Rates issue), the budget reduction requirement for subsequent years is forecast to be £32.185m for 2022/23 and £21.564m for 2023/24.

The MTFS highlights the plan to deliver significant savings from 2022/23 onwards. Whilst it is anticipated that the Council will continue to rely on the use of reserves to support the revenue budget in 2022/23 at a value of £12.012m, additional budget reductions are expected to be achieved as part of the Council's transformation programme. Indeed, the 2021/22 budget reductions have implications for future financial years, with savings of £6.050m (2022/23) and £4.756m (2023/24) already assumed.

After having allowed for the use of reserves and already assumed budget reductions, the targets to be addressed are £14.123m for 2022/23 and £16.808m for 2023/24.

The Council's approach to balancing its budget is the transformation programme which will deliver savings over four programme areas:

- Place Based Working/Communities
- Children's Services
- Health and Care
- Economy

In addition, there are a range of Cross Cutting initiatives that have been identified that will complement the transformational programmes and support the achievement of the significant financial challenge.

Indicative targets have been assigned although there has to be some flexibility given the uncertainty that underpins financial planning for the future years

Given the importance of delivering budget reductions and embedding the programme of transformational change, during 2021/22, there will be a regular review of the progress of existing change programmes against the delivery milestones and financial targets. It will also ensure that there is continuous emphasis on the delivery of change and the achievement of the budget reductions required in line with the three year strategy.

Presentation of this report to the Overview and Scrutiny PVFM Select Committee for consultation is a key stage in the budget process. Once the Select Committee has had the opportunity to scrutinise this budget report and the other reports on the agenda that form a core part of the Council's strategic planning framework, any recommendations will be included in the reports that are presented to Cabinet and Council.

Recommendations

That the Overview and Scrutiny PVFM Select Committee considers and comments upon as appropriate:

- 1 The policy landscape and economic context in which the Council is setting its revenue budget for 2021/22 and Medium Term Financial Strategy to 2023/24;
- 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 2021/22 to 2023/24 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 proposal that the Council reviews its financial position during 2021/22 to determine if it is able to provide additional Council Tax hardship relief;
- 6 The reaffirmation of the Council's commitment to the modified Housing Benefits scheme, a discretionary local scheme which allows the Council to disregard the value of any War Disablement Pension or War Widows Pension over and above statutory disregard limits;
- 7 The recurrent 2021/22 Budget Reduction Proposals at a value of £8.793m;
- 8 Flexible Use of Capital Receipts at a value of £2.000m;
- 9 The proposed use of £42.578m of reserves to balance the 2021/22 budget including £0.127m for a one off budget reduction;
- 10 The proposed use of £12.012m of reserves to support the 2022/23 budget;
- 11 The approach to managing the budget during the COVID pandemic and the continuation of budget management measures introduced in 2020/21 as outlined in Paragraphs 12.6 to 12.11;
- 12 The proposed fees and charges schedule included at Appendix 7;
- 13 The draft pay policy statement included at Appendix 10;
- 14 A proposed 2021/22 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;
- 15 The proposal to draw on the Collection Fund for major preceptors of £115.669m for Borough Wide services and £98.552m for Council services;
- 16 The proposed net revenue expenditure budget for 2021/22 for the Council set at £253.944m; and
- 17 Revised estimated budget reduction targets of £32.185m for 2022/23 and £21.564m for 2023/24 before any use of reserves and indicative budget proposals.

Overview and Scrutiny Performance and Value for Money Select Committee

Revenue Budget 2021/22 and Medium Term Financial Strategy 2021/22 to 2023/24

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 17 December 2020, associated funding announcements and the Administration's proposals for balancing the 2021/22 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 2021/22 together with the two years to 2023/24 and the key factors which will influence the financial forecasts. This is a shorter timeframe than is usual practice, due to the uncertainties created by COVID.
- 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 Oldham's current Corporate Plan expired in December 2020. Work to refresh Oldham's Corporate Plan was due to be completed by summer 2020, however, the impact of the COVID pandemic meant that this was no longer viable. Instead, the Council is in the process of developing a COVID Recovery Strategy which will act as an interim Corporate Plan until at least 2022.

COVID Recovery Strategy

- 1.9 As a Co-operative Council, Oldham is committed to tackling the impact of COVID, protecting our most vulnerable residents and communities. The steps being taken to tackle the pandemic and the subsequent recovery planning, aim to support people, especially those groups who are often most affected.
- 1.10 Building on the learning so far and the anticipated events to come, a comprehensive Recovery Strategy is being developed, which will help shape the Council's approach and vision for Oldham over the next eighteen months. This is being done whilst we continue to respond to the COVID pandemic where we are focusing each day on saving the lives of Oldham's residents.
- 1.11 The objectives and approach to our Recovery Strategy are rooted in the Oldham Model, ensuring as we adapt to a changing world that we build Thriving Communities, an Inclusive Economy and work Co-operatively with each other. Our key objectives are to:
- Continue to lead and support measures that manage demand on NHS services, particularly focusing on ensuring that those who are seriously unwell, through COVID or other conditions, get the very best care;
 - Prioritise delivery of health, care services and other public services, including voluntary sector provision, to those who are the most vulnerable or in need;
 - Implement measures, prior to and during a phased release of any local / national lockdown and beyond that prevent the spread of COVID within health and care settings, places of work and in the community;
 - Maintain delivery of all essential public services, providing modern, accountable services, shaped around the needs of Oldham's communities;
 - Encourage the residents of Oldham to adopt health seeking behaviours, accessing health and care services when they need them and taking steps in their own lives to promote physical and mental well-being;
 - Continue creating good jobs for our residents, while supporting local businesses to restart and recover from the effects of the pandemic;
 - Identify and mitigate the equality impacts caused by the pandemic, informing our recovery planning through lived experience;
 - Maintain and build community resilience and promote social cohesion; and
 - Maintain the trust and confidence of the community in the effectiveness of our multi agency response and to provide as much reassurance as possible.

Transformation Programme

- 1.12 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 has:
- identified, scoped and agreed 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;
 - begun to drive the implementation of those changes to a successful conclusion; and
 - laid the foundations for the delivery of a substantial contribution to savings targets and medium-term financial plans.
- 1.13 This Programme, which will be accelerated over the rest of 2020/21 and into 2021/22, 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. In responding to the financial challenge, the Transformation Programme will assist the Council and its partners in adapting to local demands, national, regional and local political priorities as well as technological developments.
- 1.14 The Transformation Programme will support the delivery of outcomes that will be included in the forthcoming COVID Recovery Plan and is a key feature of the MTFS beyond 2020/21.

2020 Highlights and Achievements

- 1.15 In taking forward the Corporate Plan and via the implementation of the financial strategy during 2020 the Council has delivered a full range of services. Of course, since mid-February 2020, COVID has dominated activity and the Council's response has been exemplary. However, key highlights and achievements for 2020 for both COVID related and business as usual are as follows:
- Saddleworth and Lees was entered into the Greater Manchester Mayor's Age Friendly Challenge, an award scheme designed to help find the people, projects and places that are in place to support older residents. Notification was received in February 2020 that the entry was successful and Saddleworth and Lees was named as an Age-Friendly Neighbourhood. It joins Alexandra, Crompton and Failsworth West wards which were all previously awarded Age Friendly status;
 - In March 2020, one of the first pilot projects was launched at Northern Roots. The Trainee Beekeeping programme is an opportunity for local people and community groups in Oldham to learn about beekeeping and explore it as a business opportunity;
 - In April 2020, the Council set up a hub at Oldham Civic Centre to co-ordinate and distribute Personal Protective Equipment, with many staff being redeployed there to help. The hub supplies essential PPE to front-line workers across the borough;
 - In April 2020, £30,000 was raised for Oldham's COVID Emergency Response Fund. The fund was used to provide telephone advice to self-isolating residents, as well as supporting community groups and food banks in the area;
 - In May 2020, older people in Oldham were supported during the Coronavirus pandemic by an innovative partnership project. The Promoting Independent People (PIP Service), led by Age UK, saw nearly 3 times the number of older people and their families asking for help and support compared to pre-covid times. Over 2,000 people have been helped by PIP, providing a range of services including help with daily life (medications, shopping, equipment) as well as tackling social isolation by being a friend;

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- During the pandemic, Oldham's STICH teams (Supporting Treatment in Care Homes) are bringing together community nurses, allied health professionals and social workers to work directly with care homes that have residents and staff showing possible COVID symptoms. During each STICH visit, the clinical team carry out face to face assessments of each individual patient and remain on site, often for hours at a time, to work with care home staff to identify, manage and problem solve any health-related issues. The aim is to assist with recognising potential COVID patients at an early stage, to help with initial treatment and to avoid unnecessary hospital admissions by liaising with local primary care services;
 - In September 2019 the Council was selected as one of four Local Authorities, alongside Swansea, Norfolk and Tower Hamlets to participate in a national co-ordinating crisis support pilot project with The Children's Society and other partners including the Local Government Association; BBC Children in Need; Trussell Trust; Church of England and the Lloyds Bank Foundation. The project focuses on the use of Council's Local Welfare Assistance Scheme and how this can be better aligned and co-ordinated with resources available in the Voluntary, Community, Faith and Social Enterprise (VCFSE) sector. This 2.5 year programme is enabling the VCFSE sector to draw down up to £0.100m worth of funding over the lifetime of the project, to enable their participation, build capacity and gap fill provision. Some of this funding has been used to support the additional demands for crisis support arising from COVID;
 - In December 2020, the Thriving Communities Programme won a major international award for their work in local communities. After facing off against 158 other nominees from around the continent, the Oldham Social Prescribing Innovation Partnership won in the Community category at the 2020 European Innovation in Politics Awards. This fantastic win comes from the work the Thriving Communities Programme has been doing to build a partnership between public services, healthcare, and the voluntary sector;
 - In December 2020, Oldham's dementia team were shortlisted for a major award as they continue to go above and beyond during the pandemic. The five members of Oldham Dementia Services have been recognised for making themselves available to the people they support 24/7; and
 - During Christmas 2020, thousands of Oldham families received financial help for food and other emergency provisions this Christmas with part of the £0.975m Winter Funding grant from Central Government being utilised to provided much needed support to ensure 9,000 families on low incomes with children received £30 vouchers per child for food over the two-week Christmas break. These vouchers provided support for up to 17,000 children and young people across the borough including those eligible for means tested Free School Meals and families on low incomes with pre-school children from 0-5 (using Free School Meal eligibility criteria). The balance of the grant will be used to provide similar support for the February 2021 half term break.

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 three-year timeframe 2021/22 to 2023/24. Whilst this is a shorter financial planning period than previous years, it was considered that forecasting beyond 2023/24 would be extremely challenging due to the uncertainty caused by COVID, the one-year Settlement information provided by Government and the lack of clarity about future Government funding intentions. Indeed, even the three-year timeframe requires some estimation and assumption, so given the significant uncertainty around future funding streams as outlined later in the report, it concentrates in detail on the financial position for 2021/22. Unlike previous years, the MTFS timeframe will not align with the Capital Programme and the Housing Revenue Account (HRA) budget as they retain the five year forecasting period

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; and
- Key Council policy initiatives including the Council’s Transformation Programme and forthcoming Corporate Plan.

2.5 There has never been more uncertainty when presenting a Medium Term Financial Strategy. The impact of COVID is still very unclear in terms of the financial consequences for the Council, the Government’s contribution to supporting the Council and the rest of the Local Government sector together with the wider impact on the economy of the country. Whilst the Provisional Local Government Finance Settlement has provided some clarity on the resources available for 2021/22, the single year Settlement means that projections for future years remain based on a series of assumptions.

2.6 In addition to the COVID related issues, the Council must also plan for demographic changes, demand pressures, particularly with regard to Social Care and inflationary increases. The need for continued transformation in service delivery is therefore essential. 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. However, the quantum of that funding remains to be determined.

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- 2.7 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 future funding streams. Whilst the Spending Review announced that all of these initiatives are being deferred; they will have an impact to varying degrees in future years. The initiatives are:
- A review of Local Authorities' Relative Needs and Resources (formerly the 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; and
 - Business Rates revaluation affecting the amount of Business Rates paid by the occupiers of commercial premises.
- 2.8 The impact of these potentially significant changes are not incorporated into any future year's estimates.
- 2.9 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 2020/21;
 - Strategic Housing Revenue Account (HRA) estimates detailing financial forecasts for the medium term as well as setting the 2021/22 HRA budget, rent levels and service charges;
 - The Capital Strategy and Capital Programme which presents the Council's Capital investment ambitions and priorities for the medium term to 2025/26;
 - 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 2021/22 which proposes no change compared to the 2020/21 scheme; and
 - The Statement of the Chief Finance Officer on Reserves, Robustness of Estimates and Affordability and Prudence of Capital Investments.
- 2.10 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.
- 2.11 This report revises the MTFS estimates for the period 2021/22 to 2023/24 based on local and national information including the Provisional LGFS published on 17 December 2020. The budget reduction requirement has consequently been revised to £26.951m (excluding a technical adjustment in relation to the collection fund deficit) as explained at Section 9 later in the report.
- 2.12 This report then sets out the Administration's proposals for the statutory balancing of the 2021/22 revenue budget as per the detail set out from Section 10 onwards together with revised budget reduction requirement estimates for the period 2022/23 to 2023/24.

3 Economic Context and Policy Landscape surrounding the MTFS and budget setting for 2021/22

- 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 2021/22 budget.

Economic Background

- 3.2 In line with previous years, the Government originally planned to deliver a Budget Statement in the Autumn of 2020, but this was deferred due to the Coronavirus pandemic. The Chancellor has announced that the next budget will now take place on 3 March 2021 and will be published alongside the latest forecasts from the Office for Budget Responsibility (OBR).
- 3.3 These OBR forecasts have previously formed the framework upon which to base an analysis of the current economic climate and the impact this may have on Local Government. Instead of providing the detailed OBR forecasts, the Chancellor, as part of the 2020 Spending Review published on 25 November 2020, provided general updates on the Economic and Fiscal contexts that formed the basis of the review.
- 3.4 Due to the pandemic, the Office for National Statistics (ONS) estimated that output fell 25% between February 2020 and April 2020 as the economy entered the largest recession on record. As the numbers self-isolating or falling ill with COVID subsequently fell, the initial recovery was sharp after quarter 1 saw growth at -3.0% followed by +18.8% in quarter 2 and then an upswing of +16.0% in quarter 3; This still left the economy 8.6% smaller than in quarter 4 of 2019.
- 3.5 With continued high levels of uncertainty, the OBR forecasts that GDP will fall in total by 11.3% in 2020, before returning to growth in 2021. However, the economy is not expected to reach pre-crisis levels until the end of 2022.
- 3.6 Reflecting the current high levels of uncertainty, the OBR has set out a range of scenarios for the outlook for the public finances. In the central forecast, borrowing peaks at £393.5 billion or 19.0% of GDP in 2020/21, the highest peacetime level on record, before falling across the rest of the forecast period to 3.9% in the final year (2025/26). Reflecting different assumptions on the path of the virus and its impact on the economy, in the final year, borrowing forecasts range from 1.7% of GDP in the upside COVID scenario, to 6.1% of GDP in the downside scenario.
- 3.7 Unemployment has risen based on data up to September 2020 and the unemployment rate rose from 3.8% at Quarter 3 2019 to 4.8% at Quarter 3 2020. However, further data suggests that additional rises in unemployment are to come. OBR data showed that redundancies rose to 314,000 in the three months to September 2020 – the highest level on record.
- 3.8 Clearly, much has happened since the publication of the 2020 Spending Review with further increases in coronavirus cases and associated restrictions introduced. This means that little reliance can be placed upon the forecasts and the full suite of OBR reports and data will not be provided until the deferred budget in the Spring of 2021.
- 3.9 A more detailed national and international economic commentary is provided within the Treasury Management Strategy report (elsewhere on the agenda).

Provisional LGFS

- 3.10 The Provisional LGFS was issued on 17 December 2020. It provided detail in relation to many of the issues that had been highlighted in the Spending Review, although there were some new grants and changes that had not been expected. Full details of the Settlement and the implications for Oldham are included in Section 6 of the report.

Major National Policy and Service Developments

Brexit

- 3.11 The issue of the UK's departure from the European Union (EU) has dominated the political agenda since the referendum of June 2016. The UK left the EU on 31 January 2020 with a trade deal signed on 29 December 2020. The implications for Local Authorities of this trade deal or the new relationship with the EU are not yet known.
- 3.12 Whilst the financial markets have reacted to the trade deal as positive news, there are reports by some businesses of challenges associated with new border rules and associated administrative processes. The Council is monitoring the situation to determine whether there is any consequential impact on Local Authority activities.
- 3.13 In the Local Authority context, EU Exit will eventually mean it will no longer be possible to access EU funding such as ERDF. This is to be replaced with the Government's £1.5bn Shared Prosperity Fund although details regarding how this fund is to be allocated have still to be announced. EU Exit could also mean future changes to regulations on issues previously led by the EU, for example associated with VAT and Procurement. However, no firm proposals related to these policy areas have been published. Nonetheless, the Council will monitor the situation to determine whether there are any further longer term implications for Local Authorities associated with EU Exit and the trade deal.

Living Wage

- 3.14 The Government's National Living Wage for workers aged 25 and over is currently £8.72 per hour. The rate effective from 6 April 2021 is to rise by 2.2% to £8.91 per hour. The Council, Miocare and the Unity Partnership Ltd however, pay their employees the higher Foundation Living Wage as championed by the Living Wage Foundation (£9.50 per hour from November 2020). This means the Government's increase in the National Living Wage has had no direct impact on employee costs.
- 3.15 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).
- 3.16 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

- 3.17 Oldham is one of twelve Opportunity Areas in England that are receiving specific Government funding to boost life chances of disadvantaged young people in the community. The OA programme is a key part of the Government's work to address barriers to social mobility in some of the most challenged areas of the country. To date, Oldham has

received £8.839m in funding with an additional £1.580m awarded in 2020/21 for Year 4 of the programme which provides funding up to August 2021.

Developments within Local Government Finance

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

Devolution

- 3.19 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.
- 3.20 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.
- 3.21 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)

- 3.22 The GMSF was Greater Manchester's plan for homes, jobs, and the environment: aiming to provide the right homes, in the right places, for people across the city region. With a decision taken by Stockport Council to withdraw from the GMSF, the plan is currently under review and will be amended to form a plan of the nine-remaining districts. A new governance structure and revised timetable for developing and adopting this new plan is underway and will be reviewed and approved in February / March 2021. Clearly, the plan will have a significant influence on the progression of Oldham's Local Plan, and therefore all consultations have been postponed to Summer 2021 while the reviews are undertaken. The housing need and employment land has also recently been amended by Government, however these figures, regardless of whether this is through a combined plan or through a Local Plan will help determine future local revenue streams (Council Tax and Business Rates), capital investment and demand for services from local residents.

Local Industrial Strategy

- 3.23 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.
- 3.24 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.

3.25 This strategy will have a significant long-term influence on Oldham and the future development of its economy.

Adult Education Funding

3.26 For the 2020/21 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

3.27 The Greater Manchester Transport Strategy 2040 sets out the long term vision for Greater Manchester to have 'World class connections that support long-term, sustainable economic growth and access to opportunity for all'. Key elements of the strategy include:

- The Right-Mix ambition for at least 50% of all journeys to be made by active travel and public transport by 2040;
- The GM Mayor's Our Network plan to create an integrated, modern and reliable London-style transport system - 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;
- Delivering the biggest cycling and walking network in the country, the 1,800 mile Bee Network;
- Investing in transport infrastructure to regenerate Greater Manchester's town centres by creating more attractive places to live, with local retail and leisure, supported by transport and digital connections;
- A Greater Manchester-wide approach to managing, maintaining and improving the Key Route Network of major roads which play the biggest role in supporting our city-region economy;
- The expansion and upgrade of Greater Manchester's Electric Vehicle Charging Infrastructure network;
- The contemporary devolution agenda, including a possible bus franchising scheme that would bring bus services under Greater Manchester's control and would allow buses to work better with the rest of the public transport system;
- The delivery of bus priority measures, Bus Rapid Transit schemes and the introduction of Quality Bus Transit corridors;
- Enhanced passenger facilities and access to stops on the Metrolink Network, new Metrolink stops to support development and exploring the potential benefits of tram-train where services like Metrolink could share lines with trains;
- The GM Rail Prospectus, which calls for committed infrastructure improvement projects to be delivered, such as the Trans Pennine Route Upgrade, and ensuring HS2 and Northern Powerhouse Rail (NPR) are taken forward to help deliver economic growth, improve productivity and increase prosperity in the North; and
- Ongoing work to develop GM2040 sub-strategies including: Streets for All, Local Bus Strategy, Rapid Transit Strategy and Freight Strategy.

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- 3.28 Over the next 5 years the focus will be on tackling climate change, improving air quality, supporting recovery from the COVID pandemic, tackling social exclusion and helping to deliver expected housing and employment growth. The focus will therefore be on investing in walking, cycling and public transport networks; better integrating the region's existing transport system; and developing major sustainable transport schemes for delivery in the medium and long term. This will deliver the Our Network plan to create an integrated, modern and reliable London-style transport system.

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

- 3.29 It was initially expected that the reform of Business Rates Retention (including the adoption of a national 75% rates retention scheme) would be implemented from 2021/22 (after having been delayed from April 2020). However, confirmation was received as part of the 2020 Spending Round on 25 November 2020, that the Greater Manchester 100% Business Rates Retention pilot scheme will continue for a further year in 2021/22. Although continuation of the pilot scheme is revenue neutral for 2021/22 and only confirmed for one year, for consistency and comparability the presentation of the budget estimates later in this report reflect the continuation of the 100% pilot scheme arrangement into future years.

GM, Cheshire East & Cheshire West and Chester Councils Business Rates Pool 2021/22

- 3.30 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 2021/22, members of the pool for Business Rates provisionally included all ten GM districts and Cheshire East and Cheshire West & Chester Councils.
- 3.31 On 14 December 2020, 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 Green in consultation with the Director of Finance. A final decision had to 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. Given the uncertainty around Business Rates income due to the pandemic, a consensus was agreed amongst the 12 Authorities that the risks of continuing the pool in 2021/22 were too high. Business Rates pooling gains could not be guaranteed and there was a potentially significant risk that an Authority might require safety net (financial) support from the other members of the pool. The pool has therefore been dissolved.

GM Model of Unified Public Services

- 3.32 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; and
 - States this is about more flexible, integrated and prevention-focused public services aligned around neighbourhoods rather than organisational or professional silos.

As will be seen later in the report, the Council's transformation programme is based around the principles presented in the reform White Paper.

3.33 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, this 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;
- Bus Reform – At the beginning of 2020, Greater Manchester Combined Authority (GMCA) consulted residents on a proposed franchising scheme. This aimed to bring buses under local control as part of an integrated transport network. In June 2020, GMCA received the results of the consultation but decided, before a final decision could be made, that the impact of COVID on the bus market and the proposed franchising scheme should be considered. GMCA launched an additional consultation in autumn 2020 asking for views on its proposals in light of the findings of the COVID impact report, which looked at potential future travel demand in Greater Manchester and what it could mean for GMCA's proposals to change how buses are run. The outcome of both consultations will then be considered as part of the final decision by the Mayor of Greater Manchester on whether to implement the proposed franchising scheme. The decision is anticipated to take place in spring 2021.

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.



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- 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 qualification or an 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 11,500 work-related opportunities - including over 10,000 jobs, apprenticeships and traineeships and more than 1,500 work experience placements, of which over 10,000 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 Oldham's current Corporate Plan expired in December 2020. Work to refresh Oldham's Corporate Plan was due to be completed by summer 2020, however, the impact of the COVID pandemic meant that this was no longer viable. Instead, the Council is developing its COVID Recovery Strategy which will act as an interim Corporate Plan until at least 2022.
- 4.10 To develop the new COVID Recovery Strategy, all Directorates and service areas are being engaged to identify key priorities for the organisation in moving towards a post COVID environment, as well as how those priorities align to the wider Oldham model. The new COVID Recovery Strategy will be launched in March 2021.

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 MTFS 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 were last refreshed at the 8 January 2020 Council meeting and underpin the Council's statutory duty to make arrangements for the proper administration of its financial affairs.

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 'Creating a Better Place' initiative. 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 2021/22 to 2025/26 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 2021/22 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 2021/22.

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. However, in March 2020, the Government launched a consultation into the future lending terms of the Public Works Loans Board in order to limit the use of PWLB resources for commercial investment. The result of the consultation accompanied the Spending Review. As a consequence (as advised in the Capital Strategy

report) the capital investment plans of the Council have been amended to remove schemes where the primary objective was commercial investment solely for income generation purposes.

Housing Revenue Account

- 4.23 A report (elsewhere on the agenda) sets out the Housing Revenue Account Estimates for 2021/22 to 2025/26 and Proposed Outturn for 2020/21. 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 this report and an updated forecast of the Council reserves position is presented at Section 13. The budget setting process for 2021/22 has required a significant revision to the prioritisation of reserves.

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.
- 4.28 All budget proposal documentation contains a section on key risks and mitigations.

Major Policies and Strategies

- 4.29 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 2021/22 to 2023/24.

Community Health and Adult Social Care / NHS Reform

- 4.30 Throughout 2020/21 the Community Health and Adult Social Care Directorate has worked to deal with COVID in the community and care homes. This has driven ever closer working arrangements with the NHS and an acceleration of integrated working. In November 2020 the Government released new guidance in respect of the next steps of integrating care. This will work on the basis of Place, provider collaboratives, Integrated Care Systems (ICS) and national and regional bodies. It will also mean that Clinical Commissioning Groups (CCG's) will no longer exist after April 2022.
- 4.31 The Councils relationship with the Oldham CCG will therefore change as the system evolves and the localities come together under a Greater Manchester Integrated Care System which will have a focus on population health. At a locality level an Oldham Integrated Health and Care System is being established, building on progress already made to deliver efficiencies, more effective services and to contribute to budget savings through collaboration, networks and alliances.
- 4.32 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 and elements of Public Health. 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 budgets.
- 4.33 There are clearly significant implications for the financial planning and financial management arrangements of the Council as the budgets of the Council and the NHS 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.
- 4.34 At a national level clarity on the future of social care and its funding has again been postponed so the Council will continue to progress on a short-term basis whilst awaiting a more permanent solution.

Creating a Better Place

- 4.35 This strategy sets out a comprehensive vision and strategic framework for the borough, which includes the Oldham Town Centre Vision, the Housing Strategy, and utilisation of the Council's corporate estate (land and property) to support development and open space requirements across the borough. The original strategy was approved by Cabinet across two reports in December 2019 and January 2020. However, the Council subsequently revised its plans firstly due to responding to the pandemic and secondly as the national policy landscape changed when HM Treasury set out proposals for revising PWLB lending terms to discourage commercial investment solely for income generation purposes.
- 4.36 The programme was reviewed to ensure that priorities were correct and that the projects supported economic recovery (post-covid). Cabinet approved a revised vision for Creating a Better Place on 24 August 2020. The revised strategy still includes creating 2,400

(previously 2,000) new homes, 1,000 new jobs and 100+ new apprenticeships. Key themes within the Creating a Better Place Strategy include:

- Schools provision – A range of new build and school expansion schemes to ensure there are sufficient school places for the borough's children.
- New Homes – Developing the ambitions set out in the Housing Strategy.
- Town Centre Regeneration – Further development in the town centre following the recent acquisition of the Spindles and Town Square Shopping Centres, releasing other town centre sites for repurposing including the provision of housing and additional green space.
- Borough-Wide Regeneration – Investment in a range of housing and employment schemes across the borough.

- 4.37 The Creating a Better Place programme incorporates £287.857m of schemes with £37.391m included within the 2020/21 Capital Programme and a further £250.466m over the period 2021/22 to 2025/26. The revised programme is forecast to achieve cumulative revenue savings of £8.2m per annum from 2023/24 as reflected in budget reduction proposals included in this report.

Housing Strategy

- 4.38 The Housing Strategy was introduced in 2019. It was developed in line with the Oldham Plan, the GM Spatial Framework and the GM Housing Strategy. It recognises the function that housing plays in supporting health and social care integration and wider public sector reform. A key objective of the development of the new housing strategy has been to reset the housing delivery framework that can start to tackle the challenges identified in the evidence based Local Housing Needs Assessment and help meet the housing priorities identified over the short, medium and long term. It is a strategic document to help promote future service models and seeks to place housing and place sharing at the heart of the Oldham Partnerships collective vision for the borough.
- 4.39 Together with the launch of the new Housing Strategy a Strategic Housing Partnership was also developed whereby the Council works collectively with key stakeholders to achieve the goals identified within the Housing Strategy Delivery plan.
- 4.40 The Housing Strategy:
- Enables the Council to determine priorities in each district or local housing market area as defined by the Local Housing Needs Assessment evidence base;
 - Informs bids for both public and private funding to support the development of new homes in Oldham;
 - Supports the Council and its partners to make more informed People and Place making decisions about the targeting and future integrated commissioning priorities and underpins external funding bids to support investment in existing housing services and stock in Oldham;
 - Enables the Council to focus and develop new policies and ways of working that better fit the operating environment; and
 - Informs the Council to progress its energy conservation work, and to satisfy the Council's obligations under the Home Energy Conservation Act.
- 4.41 The delivery of the Housing Strategy objectives has undoubtedly been disrupted by the COVID pandemic. However, in line with the refreshed Creating a Better Place Strategy, work is underway to develop and deliver a programme of town centre housing development currently focused on the identification and assembly of suitable residential development sites. Work is also underway to determine a suitable delivery model for such development.

#TeamOldham Workforce Strategy

- 4.42 The #TeamOldham Workforce Strategy has now been developed and endorsed by all #TeamOldham organisations including the Council, CCG, Unity Partnership Ltd and MioCare. The Strategy focuses around 3 major themes; Supporting our Staff, Leadership and Culture and Planning for the Future. The strategy sets out the vision for the workforce and the outputs to be achieved over 2020 – 2023 through the structured programmes of work outlined within. The strategy will support the integration, design and effectiveness of critical services delivered to our residents.

Education Provision Strategy

- 4.43 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 and works with Academy Trusts and the Department of Education to establish provision that meets the needs of Oldham's young people and can contribute effectively to improving education outcomes in the borough. There is a great deal of activity taking place across the borough to both enhance current provision and provide new places for young people with good and outstanding providers.

Special Educational Needs and Disabilities (SEND) Strategy and Development Plan

- 4.44 On 24 September 2020, the SEND Partnership Board requested that the SEND Strategy and Development Plan was reviewed to consider the impact of the COVID pandemic on services, children, young people and families and the impact on the strategy. Following the review, the revised development plan and outcomes to be achieved by the end of year 1 were shared with the SEND Partnership Board on 26 November 2020, outlining how children and young people with SEND have a range of support and opportunities available to enable them to become confident communicators, valued members of the community, enjoy attending inclusive learning settings and being prepared for progression into adulthood to achieve the life outcomes to which they and their families aspire.
- 4.45 The development plan and the outcomes to be achieved by the end of year 3 and the end of year 5 will be developed in early 2021. The updated strategy and development plan will then be presented to Cabinet for approval. A number of key areas have been introduced around ensuring sufficient provision is available across the mainstream and special estate in Oldham for children and young people with SEND. This also connects with the proposed budget reduction to make significant savings by bringing back to Oldham schools, a number of children and young people currently educated outside of the borough, following statutory review processes.

Oldham Learning

- 4.46 Oldham Learning was formed after extensive sector consultation during the academic year 2019/20 and is now the school improvement delivery function in Oldham, combining work that was previously performed by the Local Authority, Education Partnership and Opportunity Area. Oldham Learning started on 1 September 2020, with initial funding agreed through the Local Authority and Opportunity Area Grant. The intention is to develop a self-sustaining offer that schools and academies value.

Early Years Strategy

- 4.47 On 7 December 2020, Oldham's new 3 year partnership Early Years Strategy for babies and young children was launched. The strategy sets out a commitment to ensuring every child gets the Right Start in life. The strategy is based around the vision for babies and young children which is for them to be: safe and supported; as healthy and happy as they can; have opportunities and achieve their potential; have a voice and be part of a community; feel proud and be ready for life. The strategy lists seven key areas to focus this work - Establishing transparent and effective governance of Early Years services; improving health & development outcomes for babies and young children; keeping children safe and build family resilience; supporting parents to nurture their child's development; continually improving our services for children and families in the Early Years; improving the equality, reach and diversity of services; building a unified Early Years workforce, identity and purpose.

Green New Deal Strategy

- 4.48 The Oldham Green New Deal Strategy was adopted by the Council in March 2020. The strategy set two carbon neutrality targets – for Council Buildings and Street Lighting by 2025 and for the borough as a whole by 2030. The delivery programme for the strategy focuses on investment in the green economy in Oldham, including 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.
- 4.49 Since the adoption of the strategy, the financial impact of the coronavirus crisis has changed the way the Council has to approach delivery of Green New Deal objectives. Rather than allocated specific Council resources, the Council will pursue external funding streams including large new funds from Central Government. These can potentially be secured to enable the Council to secure investment to stimulate economic activity in key growth sectors such as renewable energy, renewable heat and energy efficiency – the top three 'green' job creation opportunities according to the Local Government Association. The Council is applying to a range of grant funders for low carbon projects, including the Towns Fund and the Public Sector Decarbonisation Fund (for renewable electricity and heat projects on Council assets).
- 4.50 Future initiatives will include exploring the potential for a strategic partnership with a private sector infrastructure provider to bring inward investment to the borough for low carbon schemes; community-level programmes to support residents to gain knowledge and training in the low carbon sector so that they can take advantage of any jobs created from inward investment; and innovative ways for the Council to support deployment of local renewable energy generation through Power Purchase Agreements.

ICT Strategy

- 4.51 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 enables the council to evolve and grow under the following principle themes:
- Mobility, enabling staff to work from where they need to, not where they have to;
 - Platform + Agile, fewer systems that are better integrated (using an IBM integrated engine) and developed using Agile delivery techniques;
 - Cloud First, reducing technology assets that the Council owns and maintains;
 - Data Analytics, building upon the above themes and principles to create the conditions where Oldham Council can understand the borough better and use this insight to improve services.

Information Management

- 4.52 There is a comprehensive suite of Information Management policies in place covering Data Protection, Freedom of Information, Environmental Information, Information Risk and Security, Records Management and Transparency. These are supported by a variety of systems and processes that enable the monitoring of compliance and performance. All measures are designed to ensure the Council and its partner organisations comply with individual rights, legislative requirements and are protected from security, cyber, reputational risks, enforcement action and monetary penalties by the Information Commissioner's Office.

Other Policies and Strategies

- 4.53 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.

The Chartered Institute of Public Finance and Accountancy (CIPFA) Financial Management Code

- 5.2 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".
- 5.3 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

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- 5.4 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.
- 5.5 It was expected that Local Authorities would apply the requirements of the Financial Management Code in full by 1 April 2020, however after further consideration, CIPFA recognised the need for Authorities to ensure that their governance and management styles fit the requirements of the Code and as such concluded that a shadow year would be in place for 2020/21 with Local Authorities being fully compliant by 1 April 2021.
- 5.6 The detailed guidance notes were issued in May 2020 and the Finance Service has undertaken work throughout 2020/21 to ensure its compliance with this Code. Work is continuing with the wider organisation to ensure full compliance for 2021/22.

Review of Relative Needs and Resources (formally the Fair Funding Review)

- 5.7 The Review of Relative Needs and Resources of the Local Government finance system has been under consideration 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. It was then deferred until April 2021 and now due to COVID has been deferred again. The Government has not specified a timeframe for progression. When implemented this could have a major impact on the distribution of resources between Councils. It is also possible that when implemented, there may be transitional arrangements rather than an immediate change.

Business Rates Reform and Revaluation

- 5.8 The Business Rates system is likely to change significantly in the medium term. The Government has initiated a review of Business Rates tax itself and is seeking views from Councils administering the system. As a result, the Government has once again postponed a reset of the system. Any reset may be full or partial but in both instances would result in Business Rates gains and losses being redistributed across all Local Authorities.
- 5.9 Also delayed 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.
- 5.10 In addition, Business Rates revaluation also planned for implementation in April 2021 has now been deferred to April 2023 but based on April 2021 values. This will affect the amount of Business Rates paid by the occupiers of commercial premises and therefore the amount collectable by the Council.
- 5.11 A change to the Business Rates system could have major implications for Council funding and the MTFS. The position will be kept under close review.

Financial Resilience

- 5.12 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.

- 5.13 There have been several reports issued on the subject of the financial resilience of 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 documents were in part prompted by the financial challenges at Northamptonshire County Council during 2018. However, more recently there have been concerns in relation to the financial sustainability at both Nottingham City Council (NCC) and the London Borough of Croydon Council (LBC).
- 5.14 Is important to note that as detailed within the Council's Audit Completion Report, presented alongside the Statement of Accounts, the External Auditors concluded that for 2019/20 the Council had made proper arrangements to deliver financial sustainability in the medium term. However, it was also pointed out that "The Council has significant levels of Earmarked Reserves as at 31 March 2020, but these are not sufficient to sustain the Council's financial position over the medium term".
- 5.15 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.

6 2020 Spending Review, Provisional Local Government Finance Settlement (including Council Tax and Referendum Limits), Unringfenced and Ringfenced Grants.

- 6.1 A key element when determining revisions to the MTFs and the 2021/22 budget reduction requirement is the impact of Government funding announcements. Due to the impact of COVID the planned Comprehensive Spending Review was instead replaced by a one-year spending round. The Provisional Local Government Finance Settlement was issued on 17 December 2020. The impact of these announcements is set out below.

2020 Spending Review

- 6.2 On 25 November 2020, the Government presented a one-year Spending Review for 2020/21. Key funding announcements affecting Local Government which have an impact on this report were:
- Core Spending Power was forecast to rise by 4.5% in cash terms worth an estimated additional £2.2bn in funding for local Government services. This included:
 - An additional £1bn for social care made up of a £300m social care grant.
 - The ability to raise a 3% Adult Social Care (ASC) precept.
 - The continuation of the £1bn of grant funding announced for the 2020/21 budget for Adult and Children's Social Care, along with all other existing social care funding.
 - General Council Tax increases would be capped at 2% unless a referendum is held, with a further 3% increase specifically for ASC services as advised above.
 - In response to COVID there was the announcement of:
 - £1.55bn of unringfenced grant for the pressures expected to emerge in the first few months of 2021/22.
 - The continuation of the Sales, Fees and Charges scheme (which refunds 75% of eligible income loss beyond a 5% threshold) on a pro-rata basis into the first three months of 2021/22).

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- The availability of £670m of unringfenced grant funding (and extended Hardship Fund).
 - A new reimbursement scheme, expected to be £762m for 2020/21, to compensate Councils for 75% of irrecoverable losses in relation to Council Tax and Business Rates, to be paid through an unringfenced grant.
 - The Government will keep the spending and income pressures under regular review to ensure the sector has the support and resources it needs; therefore, this funding may be topped up in year and will reflect the developing COVID position.
 - The outcome of the consultation into reforms on the operation of the Public Works Loan Board (PWLB) was announced. This restricted the future use of PWLB borrowing and consequently lowered the PWLB rate of interest. This development has been factored into the Capital Strategy.
 - Confirmation that the implementation of the Review of Relative Needs and Resources (formerly the Fair Funding Review) and 75% Business Rates Retention initiatives will not proceed in 2021/22. Nor would the reset of accumulated Business Rates growth. Further decisions on reform will be taken in the context of the 2021 Spending Review.
 - Confirmation of the continuation of the piloting of 100% Business Rates Retention in Greater Manchester (GM) for 2021/22.
 - Confirmation that New Homes Bonus will also continue in 2021/22, with no new legacy payments.
 - Notification that the Small Business Rates multiplier for 2021/22 will be unchanged from 2020/21 levels.

6.3 The Spending Review also included information on a range of other grant funding programmes, both capital and revenue including £254m for homelessness, the new Levelling Up Fund worth £4 billion for England for local infrastructure investment to support economic recovery and the Shared Prosperity Fund. These latter two items are referred to specifically in the Capital Strategy report.

Provisional Local Government Finance Settlement (LGFS)

6.4 The 2021/22 Provisional LGFS was released on 17 December 2020. 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 2021/22. The Provisional LGFS covered the 2021/22 financial year only.

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 2021/22;
- Council Tax referendum limits;
- COVID specific grants for 2021/22;
- New grant funding streams for 2021/22;
- New Homes Bonus Grant allocations for 2021/22; and
- Confirmation of, or revisions to, previously expected 2021/22 grant allocations.

6.6 As this is the Provisional Settlement, Councils had the opportunity to submit consultation comments. The Government issued specific consultation questions in relation to the Settlement with a deadline for responses of 16 January 2021. The Council submitted a response before the notified deadline.

Settlement Funding Assessment

- 6.7 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.
- 6.8 The figures now presented in the Provisional LGFS and the following table show a national increase in SFA from £16.209bn in 2020/21 to £16.222bn in 2021/22. This represents a 0.080% increase in national funding.

Table 1 – National Position

2020/21 £m	SFA for England	2021/22 £m
16,209	Settlement Funding Assessment	16,222
	of which:	
1,613	Revenue Support Grant	1,622
14,596	Baseline Funding Level	14,600

SFA for Oldham Council

- 6.9 The Oldham SFA presented in the table below shows an increase of £0.094m from £98.816m in 2020/21 to £98.910m in 2021/22. This represents a 0.095% increase, slightly higher than the increase in overall national funding.

Table 2 – SFA for Oldham

2020/21 £000	SFA for Oldham	2020/21 £000
98,816	Settlement Funding Assessment (2020/21 adjusted for additional Public Health Grants received after the initial SFA was notified)	98,910
	of which:	
0	Revenue Support Grant	0
98,816	Baseline Funding Level	98,910

- 6.10 The table below shows the contingent elements included in the Government's Settlement Funding Analysis figures with a very small increase between years.

Table 3 – SFA Detail for Oldham

Funding Stream	2020/21 £000	2021/22 £000	Change £000
Baseline Funding Level	64,792	64,792	0
Revenue Support Grant	16,973	17,067	94
Public Health Grant (adjusted)	17,051	17,051	0
Total Settlement Funding Assessment	98,816	98,910	94

- 6.11 Whilst the SFA figures for Oldham show an increase of £0.094m 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. It should also be noted that as the Public Health Grant allocation for 2021/22 has not yet been announced, the figures may be subject to change.

Core Spending Power

- 6.12 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 2021/22 based on Office of Budget Responsibility estimates.
- 6.13 The Government figures indicate that, as advised in the Spending Review, Core Spending Power will rise by an average 4.5% cent in 2021/22 in cash terms. These Government forecasts are on the assumption that every Local Authority will raise their Council Tax by the maximum permitted without a referendum (i.e. 4.99%).
- 6.14 Core Spending Power in 2021/22 consists of:
- Settlement Funding Assessment (which consists of Revenue Support Grant, and the baseline funding level (BFL) which is unchanged for 2021/22);
 - Compensation for under-indexing the Business Rates multiplier; this relates to the multiplier freeze for 2021/22 as announced in the Spending Review as well as historic caps on multiplier increases and uprating the multiplier by the Consumer Price Index instead of the Retail Price Index;
 - Income from the New Homes Bonus;
 - The Social Care Grant for 2021/22;
 - Improved Better Care Fund;
 - A new Lower Tier Services Grant;
 - Rural Services Delivery Grant (not applicable to Oldham); and
 - Income from Council Tax assuming that the tax base grows, and Councils increase Council Tax by the 2% basic referendum limit in 2021/22 as well as the maximum possible social care precept in 2021/22, and the additional flexibilities for shire districts.

- 6.15 The Provisional LGFS includes detail by individual Authority and the amounts for Oldham are shown in the table below.

Table 4 – Core Spending Power for Oldham

2020/21 £000	Core Spending Power for Oldham	2021/22 £000
199,239	Core Spending Power	208,389

- 6.16 Whilst the settlement Core Spending Power implies the Council has £9.150m more resources than in 2020/21, the Government's CSP figures include assumptions about growth of the Council Tax Tax Base and annual tax increases (2% for general Council Tax and 3% for the Adult Social Care Precept). These assumptions are not in line with the Council's own budget assumptions and estimates as outlined later in the report.

Council Tax & Referendum Limits

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

Council Tax Increases

- 6.18 Within the Provisional LGFS, the Government confirmed the referendum limit for general Council Tax at a maximum increase of 2% for 2021/22. As in previous years, Parish Councils remain excluded from the referendum limits.

Adult Social Care Precept

- 6.19 The threshold for Adult Social Care Precept (ASCP) increases to a maximum of 3%. However, Councils have the ability to spread the increase over two financial years, 2021/22 and 2022/23 and legislation will be passed to enshrine this arrangement in law. There remains a requirement to evidence that the funds generated from this precept are used to finance Adult Social Care expenditure.

Mayoral Combined Authorities

- 6.20 Following the consideration of previous consultation responses, the Government proposes not to set Council Tax referendum principles for Mayoral Combined Authorities in 2021/22. The Greater Manchester Combined Authority will consider any increases through its budget setting processes and will advise the ten District Councils in due course.

Police and Crime Commissioners

- 6.21 The Government proposes that Council Tax referendum principles for Police and Crime Commissioners (including the GM Mayoral Police and Crime Commissioner Precept) are capped at an increase at £15. The decision on precept intentions for 2021/22 will be taken by the GM Mayor as Police and Crime Commissioner in accordance with its budget setting timetable.

Main Unringfenced Government Grants Announced In or Derived from the Provisional LGFS

Business Rates Top Up

- 6.22 Business Rates top up grant for 2021/22 is £41.748m as notified in the Provisional LGFS. This is £0.399m less than anticipated. It is however, expected that there will be an allocation of Public Health Grant which, due to the Council piloting 100% Business Rates Retention, will have the impact of increasing the Business Rates Top Up grant. This will not improve the financial position of the Council as its policy is to passport the Public Health grant in full to the service. As we are suffering from a pandemic, this would seem an appropriate course of action.

Grants in Lieu of Business Rates

- 6.23 Grants in lieu of Business Rates are currently forecast to be £11.437m for 2021/22. This is £0.697m less than had been anticipated. This grant 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;
 - Other small reliefs for discretionary schemes and supporting small businesses; and
 - No change to the small business rate non-domestic rating multiplier for 2021/22.
- 6.24 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 will be submitted by 31 January 2021. However, any variation in the grants will result in an equal and opposite adjustment to Retained Business Rates income.

Revenue Support Grant and Public Health Grant

- 6.25 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 £17.067m and Public Health Grant of £17.051m. As advised above, the Provisional LGFS did not provide 2021/22 Public Health grants payable 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

- 6.26 A range of unringfenced Government Grants were announced by the Provisional LGFS. These are set out as follows, together with the impact on the 2021/22 budget assumptions.

Improved Better Care Fund

- 6.27 The Provisional LGFS confirmed the Improved Better Care Fund for 2021/22 at £10.858m. This was as expected and represents a roll-over of the 2020/21 grant allocation.

2021/22 Social Care Support Grant

- 6.28 The Provisional LGFS advised of additional resources for the Social Care Support Grant for 2021/22. This is building upon the resources already allocated in previous years. This grant has been provided in response to Local Authority concerns with regard to pressure on Adult and Children's Social Care services. No additional grant had been anticipated and the total notified of £8.947m therefore provides additional resources of £1.993m. The grant is not ringfenced and no conditions or reporting requirements were attached to the grant so it will be used to support the 2021/22 budget position by offsetting Council investment in Children's Social Care and Adult Social Care.

Lower Tier Services Grant

- 6.29 The Government has introduced a new unringfenced Lower Tier Services Grant which will allocate £111m nationally to Local Authorities with responsibility for lower tier services (homelessness, planning, recycling). This grant had not been anticipated and introduces new resources of £0.407m to support the budget of the Council.

Local Council Tax Support Grant

- 6.30 This is a new unringfenced grant. Broadly, the Government expects that the funding provided by this grant will meet the additional costs associated with increases in Local Council Tax Support (Council Tax Reduction) caseloads in 2021/22. There has been a significant increase in caseloads in Oldham and consequently the level of Council Tax that can be billed has reduced. The Councils Council Tax Taxbase has fallen, as advised in a report approved by Cabinet on 14 December 2020. As decisions on Local Council Tax Support scheme design for 2021/22 are a local decision and the Council is proposing to leave this unchanged (see Council Tax Reduction (CTR) Scheme report elsewhere on the agenda) and given the increase numbers of those receiving CTR, this grant provides some compensation for that income loss. Therefore, the full £3.183m will be used to support the 2021/22 budget.

Local Tax Income Guarantee for 2020/21

- 6.31 Within the Spending Review, the Government announced it would recompense Councils for irrecoverable 2020/21 local tax losses (Council Tax and Business Rates). The Government has provided information about the ways that the losses will be assessed but as this relates to 2020/21, the final assessment of losses cannot be made until the accounts for 2020/21 have been closed. A grant will be paid to the Council for the financial year 2020/21 and an initial assessment suggests that it would be prudent to assume receipt of £1.000m. As this grant relates to 2020/21, it will be included in the outturn for 2020/21 as a reserve and carried forward into 2021/22. If the final grant allocation should prove to be higher then it might be used to either support the 2021/22 in-year position or used to support the budget for 2022/23.

COVID-19 Expenditure Pressures Grant

- 6.32 A major new grant was notified within the Provisional LGFS, the COVID-19 Expenditure Pressures Grant. Nationally, £1.55bn of additional unringfenced grant was announced within the Spending Review and the Settlement has allocated this at individual Local Authority level. The formula by which the allocations have been calculated has been designed to reflect the underlying drivers of expenditure; population and deprivation, and the varying cost of delivering services across the country. This grant is unringfenced, but the Government intends that it is used to support the priority pressures for which 4 tranches of unringfenced grant have been allocated in 2020/21, including Adult Social Care and Children's Services. The Councils allocation of grant is £7.737m and will be passported in full to address COVID related costs.
- 6.33 The Government has advised that this funding is to support COVID related expenditure in the early part of 2021/22. Its assumption is that COVID costs will start to decline significantly from Easter, tapering away throughout the first quarter of the next financial year and COVID funding allocations have been based on this position. It has advised that it will allocate further funding if necessary. Clearly the value of any further grant cannot be assessed. It is important to note that the Councils budget estimates are also based on this assumption and that the funding available from Government will be sufficient to meet COVID related costs. Where it is known that the Government funding is not intended to provide compensation, the Councils budget estimates have been revised accordingly.

Sales, Fees and Charges Compensation Grant

- 6.34 The Government has confirmed it will continue the Sales, Fees and Charges compensation schemes for the first 3 months of the financial year 2021/22. This recompenses the Council for 75% of its lost sales, fees and charges after deducting 5% which the Council would be expected to absorb. It is very difficult to predict the losses that will be incurred as much depends on the course of the pandemic. At this stage no benefit has been assumed from the availability of this grant regime as the assessment of losses is equally challenging. However, it is a potential income source to support the Councils financial position should substantial losses be incurred.

Homelessness Grants

- 6.35 The Council had anticipated receiving £0.194m Flexible Homelessness Support Grant and £0.164m of Homelessness Reduction Grant. These grants totalled £0.358m for 2020/21 and were expected to be passported directly to the Strategic Housing service. However, the Government has announced a national sum of £254m to tackle homelessness and rough sleeping in 2021/22, including £103 million of previously announced funding. Allocations have now been notified and the grant funding arrangements have been changed. There is a requirement to remove £0.358m from the net revenue budget (income and expenditure) and include a new ringfenced grant of £0.532m. This has a neutral impact on the net revenue budget but improves the overall funding position of the Council.

New Homes Bonus Grant (NHB)

- 6.36 The 2021/22 Settlement included information on a new round of NHB payments. The Government intends this to be the final set of allocations and there will be no legacy payments into future financial years. There will be a consultation issued on the future of New Homes Bonus including options for reform. The Council had not anticipated any NHB resources for 2021/22 so the £0.171m allocation is being used to support the 2021/22 budget.

Lead Local Flood Authority Grant

- 6.37 The Council has been notified that this grant has now ceased. A sum of £0.012m had been assumed. The loss of this grant has had a small adverse impact on the overall budget of the Council.

Other Grants

- 6.38 Other grant notifications were expected with the Provisional LGFS, but these have not yet been received. These are awaited but, in the meantime, the estimated position remains unchanged.
- a) Independent Living Fund Grant - The Council took over responsibility from Government for the functions associated with the former Independent Living Fund during 2015. The Provisional LGFS has not provided any information about this grant, however, it is assumed that this will continue at the 2020/21 cash value of £2.500m. This anticipated funding has been passported in full to the service as previously approved as part of the 2016/17 budget process.
 - b) Housing Benefit Administration / Council Tax Administration Grants - The original February 2020 budget estimates for 2021/22 assumed these two grants would continue at a cash flat allocation (£0.778m and £0.360m respectively). As yet grant notifications have yet to be received and so this estimated position remains unchanged.

Summary of Other Unringfenced Government Grants Linked to the Provisional LGFS

- 6.39 A summary of all unringfenced grants either notified or anticipated (for which a sum has been assumed) as included in the Provisional LGFS is shown in Table 5 below. Total funding equals £34.941m which is £13.121m higher than the forecasts presented to Council on 26 February 2020.

Table 5 – Other Unringfenced Government Grants

	2021/22 Forecasts at 30/11/20 £000	Change £000	2021/22 Revised Forecasts £000
Improved Better Care Fund Grant	10,858	0	10,858
2021/22 Social Care Support Grant	6,954	1,993	8,947
Lower Tier Services Support Grant	0	407	407
Local Council Tax Support Grant	0	3,183	3,183
Covid Grant	0	7,737	7,737
Flexible Homelessness Support Grant	194	(194)	0
Homelessness Reduction Grant	164	(164)	0
New Homes Bonus Grant	0	171	171
Lead Local Flood Authority Grant	12	(12)	0
Independent Living Fund (ILF) Grant	2,500	0	2,500
Housing Benefit Administration Grant	778	0	778
Council Tax Administration Grant	360	0	360
Total Other Unringfenced Government Grants	21,820	13,121	34,941

Ringfenced Grants

- 6.40 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, Troubled Families Programme, Housing Benefit Subsidy Grant, Discretionary Housing Payments, Adult Education Budget and Homelessness Prevention Grant. 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

- 6.41 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.
- 6.42 The overall DSG allocation was confirmed at £285.413m in information accompanying the PLGFS on 17 December 2020. Further details regarding the DSG is included in **Appendix 2**.

Troubled Families Programme

- 6.43 The Troubled Families Programme aims to support families with deep rooted problems relating to issues such as crime and antisocial behaviour, education, life chances, living standards, domestic abuse and mental and physical health. It provides much-needed support to improve outcomes for children and families on these issues. 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 Secretary of State for Housing, Communities and Local Government extended the programme for 2020/21 and Oldham's allocation was £0.868m. In the November 2020 Spending Review, the Chancellor announced a further £165m of funding to enable the programme to continue in 2021/22. Troubled Families Funding is released to districts in Greater Manchester via devolved arrangements through the GMCA Reform Investment Fund. District allocations have yet to be determined, but the funding available nationally is the same as for 2020/21.

Housing Benefit Scheme / Housing Benefit Subsidy Grant

- 6.44 The Council receives Housing Benefit Subsidy Grant funding from the Department for Work and Pensions (DWP) to fund the costs of operating the Housing Benefits scheme. 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.
- 6.45 In 2020/21 the Council is currently forecasting £47.981m of funding for Housing Benefit from the DWP. This allocation is likely to be reduced during 2021/22 as Housing Benefit caseloads continue to fall as a direct result of the transition to Universal Credit (UC). The estimated 2021/22 position will be captured following the Council's submission of updated information in accordance with the statutory deadline of 1 March 2021.
- 6.46 The Council has been requested by the External Auditor to reaffirm its long standing commitment to the modified Housing Benefits scheme. This is a discretionary local scheme for war pensioners which allows the Council to disregard the value of any War Disablement Pension or War Widows Pension over and above statutory disregard limits. Most Local Authorities operate this scheme which is funded by the Council and is consistent with the Council's commitment to the Armed Forces Covenant. The provision is also replicated in the Council Tax Reduction Scheme.

Discretionary Housing Payments (DHP)

- 6.47 The Council is awaiting notification of DHP grant allocations for 2021/22. For the 2020/21 financial year, the amount received by the Council was £0.793m and it is expected that the allocation for 2021/22 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.

Adult Education Budget

- 6.48 The Adult Education Budget (AEB) funds the delivery of education and training for learners over the age of 19. The AEB aims to engage adults and provide the necessary skills and knowledge needed to enable them to progress in work or apprenticeships.
- 6.49 On 1 August 2019, the AEB was apportioned between the Education and Skills Funding Agency (ESFA) and 6 Mayoral Combined Authorities and the Greater London Authority. The GMCA was one of those 6 combined authorities where funding was devolved and as such the way in which Oldham Council received its AEB changed.
- 6.50 In the first year of devolution, contracts and grant agreements were awarded to 36 organisations for AEB delivery in Greater Manchester. With quality as a fundamental consideration of the procurement process for the GMCA, all of the procured contracts were awarded to organisations where recent Ofsted inspections had taken place and ratings of Good or Outstanding were received for their adult education provision. Oldham Council was one of these organisations.
- 6.51 The funding received in this regard for the 2020/21 academic year was £2.8m. Whilst the funding agreements for the 2021/22 academic year have not yet been received, it is anticipated that this funding will be at a similar level.

Homeless Prevention Grant

- 6.52 As mentioned at paragraph 6.35, the Council had anticipated receiving £0.358m of unringfenced grants to support the Homelessness service for 2021/22. However, the Government announced a national ringfenced grant sum of £254m to tackle homelessness and rough sleeping in 2021/22. Allocations have now been notified and a grant allocation of £0.532m has been awarded.
- 6.53 Homelessness Prevention grant is to give Local Authorities control and flexibility in managing homelessness pressures and supporting those who are at risk of homelessness. The Government expects it will be used to:
- Enforce the Homelessness Reduction Act and contribute to ending rough sleeping by increasing activity to prevent single homelessness
 - Reduce family temporary accommodation numbers through maximising family homelessness prevention,
 - Eliminate the use of unsuitable bed and breakfast accommodation for families for longer than the statutory six week limit

7 Locally Generated Income

- 7.1 As Government grant funding has reduced over time, locally generated income from Council Tax and Business Rates has provided an increasing proportion of funding for Council services. The key financial implications for the 2021/22 budget are explained in the following paragraphs.

Retained Business Rates

- 7.2 Included within Section 3 of the report is an explanation of the operation of the GM 100% Business Rates Retention Pilot Scheme. It also advises that there will be no Business Rates Pooling arrangements in place for 2021/22.
- 7.3 The 100% Business Rates retention pilot scheme has been a success and has generated additional gains for both Oldham, other participating Districts and the GMCA. However, during 2020/21, the pandemic has impacted on the Business Rates position and unlike previous years, there are no pilot scheme gains available to support the 2021/22 budget. The Business Rates position has never been more uncertain so there is no assumption of any further gains from the 100% pilot scheme.
- 7.4 The original budget estimates for 2021/22 (approved by Council on 26 February 2020) assumed Retained Business Rates income of £50.377m. On 14 December 2020, the Council considered a report that suggested the Business Rates Taxbase for 2021/22 would be £49.640m. However, the most recent calculation is that the Council can rely on £50.022m. For budget planning purposes at this stage, the Council's share of business rate revenues are therefore projected to be £50.022m for 2021/22.
- 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. Therefore, the Cabinet report of 14 December 2020 gave delegation for the decision to vary the final Business Rates forecast and hence the Business Rates Tax base, to the Deputy Leader and Cabinet Member for Finance and Green in consultation with the Director of Finance. As the work to finalise the NNDR is still underway, there may be a further change to the estimates.

Council Tax

- 7.6 Council Tax is the largest single revenue stream that is used to support the Council's revenue budget. Council Tax and ASCP 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

- 7.7 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.
- 7.8 On 14 December 2020 Cabinet considered and approved the calculation of the Council Tax Tax Base for 2020/21. The approved tax base has reduced by 463 from 57,663 to 57,200 reflecting the increased number of Council Tax Reduction recipients due to the economic and financial pressures caused by COVID. As the Council had planned for Taxbase growth,

the financial forecasts have been even more severely affected. This therefore has had the impact of reducing the amount of Council Tax income that the Council can use for 2021/22 (excluding the impact of an increase in the Council Tax charged), rather than the expected increase. Over the past two financial years, the taxbase has increased by in the region of 1,000 Band D equivalent properties. The contrast for 2021/22 is therefore evident. The tax base calculations are summarised in **Appendix 3**.

- 7.9 The tax base beyond 2021/22 is estimated to increase by 500 Band D equivalent properties per annum to 2023/24 resulting from the building of new properties, fewer households claiming Council Tax Reduction support and empty properties being brought back into use. This will of course be kept under review.

Council Tax Policy

- 7.10 Members will recall that the Council Tax policy approved within the 2020/21 budget was that for 2021/22 the Council would increase Council Tax by 2% for the ASCP and 1.99% for general purposes – an overall increase of 3.99%. This approach has now been revised with the proposed Council Tax increase for general purposes reverting to 0.99% as in 2020/21, with an indicative increase of 1.99% for 2022/23 onwards.
- 7.11 The referendum criteria for 2021/22, as advised at paragraph 6.17 would permit this approach. Indeed, it would allow an increase in the ASCP of a further 1% to 3%. 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, it is proposed to defer the extra 1% increase until 2022/23. In overall terms, Oldham Council Tax is projected to increase by 2.99% for 2021/22. This is of course subject to confirmation at Budget Council on 4 March 2021.

General Increase in Council Tax

- 7.12 Having regard to the Council Tax policy with a general Council Tax increase of 0.99%, the total 2021/22 Council Tax generated will be at a value of £88.029m.

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 (the Government assumes 3% for 2021/22). 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 in 2021/22 with a further 1% increase in 2022/23, thus spreading the impact over two years in accordance with the flexibility included in the PLGFS. This will generate an additional £1.914m Council Tax income for 2021/22. This is lower (£0.032m) than had initially been expected due to the reduction in the Tax base.
- 7.14 In addition, the impact of the tax base reduction for 2021/22 also revises the expected Council Tax generated from previous years ASCP figures and results in £0.143m less in Council Tax than would have been expected. This adjustment is 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). In total the Council expects to collect £10.523m from the ASCP.

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- 7.16 Although the Government has not advised of ASCP policy intentions beyond 2021/22, it is assumed that it will continue in 2022/23 so that in addition to the 1% increase already planned, a further 1% will be charged (bringing the 2022/23 ASCP to 2%), with a further 2% in 2023/24. Clearly, this position will be revised if Government policy does not allow such an approach.

Relevant Basic Amount of Council Tax

- 7.17 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.
- 7.18 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.
- 7.19 This “excessiveness” is determined annually and for 2021/22 was detailed in ‘The Referendums Relating to Council Tax Increases (Principles) (England) Report 2021/22 (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 3% for the ASCP.
- 7.20 This means that locally for Oldham, the 2021/22 maximum Council Tax increase available is 5%. Any increase below 5% 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

- 7.21 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 2021/22 is unchanged from the 2020/21 scheme. The financial impact of the Council’s proposed scheme is reflected in the Council Tax Tax Base estimates approved by Cabinet on 14 December 2020, which, in turn, underpins the budget estimates included within this report.
- 7.22 As advised at Paragraph 6.30, the Council is receiving a new grant in 2021/22 named the Local Council Tax Support Grant, which compensates the Council for lost Council Tax income as a result of the increase in recipients of CTR. In 2020/21 working age CTR recipients received the benefit of the Government Hardship Fund which enabled the Council to reduce their Council Tax liabilities by a maximum of £150. This scheme is not continuing in 2021/22. However, it is recommended that the Council reviews its financial position during 2021/22 to determine if it is able to provide additional Council Tax hardship relief.

Council Tax Empty Property Premium

- 7.23 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.
- 7.24 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

- 7.25 Parish Precept income is collected by the Council on behalf of the Saddleworth and Shaw and Crompton Parish Councils. This is then paid to the Parish Councils and this income and expenditure is included in the net revenue budget of the Council. 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. At this stage no change in Parish Precepts has been assumed.
- 7.26 Meetings of both Parish Council will take place during January and February 2021 to determine the 2021/22 charge. There has however been a very small decrease in the Taxbase of both Parish Councils. The anticipated 2021/22 Parish Precepts for 2021/22 is £0.290m which is a reduction of £0.001m when compared to 2020/21.

8 2020/21 Revised Budget and Year End Forecasts

- 8.1 The starting point for the consideration of the 2021/22 budget is the current 2020/21 budget position. Since the 2020/21 budget report was approved by Council on 26 February 2020, there have been a number of further one off funding allocations and amendments. Whilst a number of these additional funding allocations are with regard to COVID, there are also a number of funding adjustments which do not relate to this issue. Members will recall that three reports on the additional funding received in 2020/21 have been presented to Cabinet and have been included within the monthly revenue budget monitoring reports. These funding allocations are also detailed in the table below. The budget for 2020/21 has therefore increased to £292.845m as reported in the **Month 8** financial monitoring report elsewhere on the agenda. The revised 2020/21 budget therefore becomes the revised base budget for 2021/22.

Table 6 – 2020/21 Revised Revenue Budget

	£000	£000
Net Revenue Budget as at 1 April 2020		233,524
<u>Adjusted by:</u>		
Additional Public Health Grant funding notified in 2020/21		606
Additional Discretionary grants in lieu of Business Rates		3
Adjusted Net Revenue Budget		234,133
New One-Off Grant Funding Adjustments		
Section 31 grant for Collection Fund Deficit (to be transferred to Reserves)	25,463	
Additional COVID funding (Tranches 2, 3 & 4)	15,055	
Discretionary Business Grants	9,467	
Sales, Fees and Charges Income Compensation	2,206	
Capital Grants	2,459	
Opportunity Area Grant	1,580	
Section 31 Grant Compensation - Irrecoverable Collection Fund Losses	1,000	
Local Authority Emergency Assistance Grant	361	
School Improvement Monitoring & Brokerage Grant	259	
New Burdens Funding – Business Grants Round 1	170	
Local Reform and Community Voices Grant	161	
Support to Clinically Extremely Vulnerable (CEV) Individuals	145	
Staying Put Grant	116	
New Burdens Business Grants Round 2	76	
War Pensions Disregard Grant	45	
Wellbeing for Education Return Grant	38	
Extended Rights to Free Travel Grant	38	
Verify Earnings and Pension Service Grant	30	
SEND Regional Co-ordinator Grant	24	
Transport Grant	9	
External Personal Adviser Duty Implementation Grant	8	
Local Housing Allowance Changes	2	
Total Budget Adjustments		58,712
Total Revised Net Revenue Budget		292,845

- 8.2 The table below details the 2020/21 Month 8 year-end forecast position against budget for each Portfolio after the planned transfers to and from reserves:

Table 7 – 2020/21 Month 8 Year-End Forecast Position against Budget

	Budget	Forecast	In Year Use of Transfer To/ From Reserves	Variance Month 8	Variance Month 7
	£000	£000	£000	£000	£000
People and Place	61,947	66,834	(211)	4,676	5,171
Community Health and Adult Social Care	63,640	73,899	(27)	10,232	10,216
Children's Services	49,691	59,239	(697)	8,851	8,490
Communities and Reform	34,515	37,884	(1,295)	2,077	2,216
Commissioning	9,802	12,692	(2,047)	843	687
Chief Executive	7,712	7,437	-	(276)	(203)
Capital, Treasury and Corporate Accounting	12,347	21,261	-	8,912	7,988
Discretionary Business Support Grants	9,467	9,467	-	-	-
Covid Funding – Government Grant	17,261	-	(7,641)	(24,902)	(23,978)
Additional Section 31 Grant – Business Rate Reliefs	25,463	-	25,463	-	-
Additional Section 31 Grant - Irrecoverable Losses	1,000	-	1,000	-	-
Resources Returned by External Partners	-	(2,083)	-	(2,083)	(2,083)
NET EXPENDITURE	292,845	286,630	14,545	8,330	8,504
FINANCED BY:	(292,845)	(292,845)	-	-	-
NET FORECAST VARIANCE	-	(6,215)	14,545	8,330	8,504

- 8.3 The forecast outturn to the end of the year, after a predicted and proposed (net) in-year transfer to reserves totalling £14.545m is an adverse variance of £8.330m (including COVID pressures) and there are a range of services that are contributing to this current forecast as set out in the following paragraphs:
- 8.4 The People and Place Portfolio has a reported pressure of £4.676m compared to £5.171m at Month 7, a decrease of £0.495m with a proposed net use of reserves totalling £0.211m. Economic Development reporting an overspend of £4.425m across Catering and Cleaning, Car Parking, Estates, Strategic Housing and Planning and Infrastructure. There is an adverse variance in Enterprise and Skills of £0.648m which is as a result of a range of pressures across the Town Centre area including Markets, whilst the ICT and Customer Services service is forecasting an overspend of £0.304m. The pressures are offset by a forecast underspend of £0.638m in Environmental Services.
- 8.5 Community Health and Adult Social Care is reporting an overspend of £10.232m of which £8.672m is as a result of COVID. The Business as Usual pressure is predominantly linked to the rising cost and demand for Community Care and the Transforming Care Programme. There is also a pressure within the Mental Health service as a result of an increase in costs associated with the support for residents with Dementia.
- 8.6 The pressure of £8.851m within Children's Services includes additional costs of £5.540m incurred as a result of the global pandemic. Children's Social Care is reporting an adverse variance of £7.931m (£2.849m of which is as a result of COVID) in the main relating to the provision of in-house residential care, placements and staffing pressures, plus a further £1.660m of unachievable savings. There is a further forecast operational deficit of £2.863m as a result of increased costs in the main relating to social care placements including Out

of Borough and to a much lesser extent certain elements of staffing costs. Education, Skills and Early Years is predicting a £1.022m overspend due to increased costs being incurred by the Home to School Transport service due to new social distancing measures. Other smaller pressures within this service area include loss of income as a result of the pandemic, additional expenditure within SEND reform and half term opening costs for Out of Borough educational placements. These pressures are offset by smaller favourable variances within Preventative Services.

- 8.7 The Communities and Reform portfolio is reporting an adverse variance of £2.077m, of which £2.962m is as a result of COVID being offset by a favourable variance of £0.885m of Business as Usual activities. Within the portfolio, Youth, Leisure and Communities is projecting an overspend of £2.594m of which, the contractual commitment to a third party supplier during the national lockdown is the main contributor.
- 8.8 Smaller variances prevail in the Commissioning Portfolio (an overall adverse variance of £0.843m) and Chief Executive (a favourable variance of £0.276m). Capital Treasury and Corporate Accounting is reporting an adverse variance of £8.912m which largely is as a result of lost income from Treasury Management activities due to the global pandemic.
- 8.9 The forecasts include the receipt of additional Section 31 Grants of:
- £25.463m to compensate the Council for Business Rates reliefs (and hence lost Business Rates income) awarded in 2020/21; and
 - £1.000m in relation to irrecoverable 2020/21 Council Tax and Business Rates losses.
- 8.10 The financial impact of both these issues manifests itself in 2021/22 and so these grants are both being transferred into the balancing budget reserve in 2020/21 and as highlighted in later paragraphs are used to support the 2021/22 financial position.
- 8.11 Management action has been initiated across all service areas to review and challenge planned expenditure, the recruitment of staff to vacant posts and significant items of expenditure continue to be monitored via a corporate process. Efforts are being made to maximise income. Such service and corporate action will continue with the aim of bringing expenditure nearer to the resources available. 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.
- 8.12 There has been a significant reduction in the forecast deficit throughout recent months which in the main, is as a result of additional funding being provided by Government to support the Council's response to COVID. A total of £24.902m has been received (including £7.641m received in 2019/20 and brought forward as a reserve). A further reduction in the overspending is anticipated as a result of further funding being provided by Central Government and contributions from partners alongside management actions. This should be evidenced in the month 9 report that will be presented to Cabinet later in March 2021.
- 8.13 However, Members should note that any adverse pressure remaining at the end of the financial year will be required to be met from reserves. As detailed in section 13, the Council currently holds sufficient reserves to address any financial shortfall in 2020/21, however, any use of reserves impacts on the financial resilience of the Council.

9 Base Budget Adjustments and Revisions to 2021/22 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 (2020/21) 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 2021/22 that was included in the Budget Report for 2020/21 and approved by Council on 26 February 2020 was £23.251m. This was partly caused by the reliance on £15.158m of one off measures to balance the 2021/22 budget, however, the estimate was also based on a series of assumptions. The overarching challenge in preparing a MTFS covering the period from 2021/22 onwards was that Central Government had only advised of guaranteed funding allocations on major funding streams until the end of 2020/21. This made it extremely difficult to confidently predict the budget reduction requirement for financial years beyond 2020/21.
- 9.3 It had also been expected that a full Comprehensive Spending Review (CSR) of Government funding would have taken place during 2020/21 and this would have provided the opportunity to improve forecasting over the next CSR period. As advised earlier in the report, the uncertainty caused by the pandemic has delayed the CSR process and Government funding estimates beyond 2021/22 remain subject to revision.
- 9.4 However, during 2020/21 work took 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. In this regard Members will recall that finance update reports were presented to Cabinet on 24 August 2020 and 30 November 2020 which advised that the budget reduction requirement for 2021/22 had increased to a rounded £30.000m. The precise sum was £29.940m. The changes to the estimates are shown in the table below and explained in the following paragraphs.

Table 8 – 2021/22 Revised Forecasts as at November 2020

	2021/22 Forecasts £000
Budget Reduction Requirement - Forecasts as at 26 Feb 2020	23,251
Unachieved budget reductions	2,089
Loss of Treasury Management Income	6,600
Investment Fund	(500)
Development Fund	(175)
Software Licenses	125
Coroners Service	50
Support for Third Party Provider	500
Revised Budget Reduction Requirement	31,940
Flexible use of Capital Receipts 2021/22	(2,000)
Adjusted Budget Reduction Requirement	29,940

Revisions to Expenditure Estimates – November 2020

Unachieved Budget Reductions

9.5 The budget for 2021/22 was prepared on the basis that all anticipated budget reductions would be achieved. As advised in the monitoring reports presented to Members during 2020/21, a number of these budget reductions have not been delivered as planned. A key element of this has been the impact of COVID. Nonetheless, in order to provide stability, the 2021/22 budget must be amended to reflect a corrected base position. The individual elements that make up this £2.089m are:

- Service efficiencies of £1.660m from Children's Social Care approved within the 2019/20 budget to reflect the investment that the Council had made in the service to support increased staffing levels but also embed new ways of working;
- Additional savings of £0.013m approved within the 2019/20 budget, the second year element of a budget reduction in the day care services contract;
- An increase of £0.103m in income expected from a second phase of bus enforcement. This was also approved in the 2019/20 budget;
- A budget reduction of £0.150m for 2020/21 in relation to a direct payments review; and
- A part non- achievement of a 2020/21 budget proposal relating to the property savings and accommodation review at £0.163m.

Loss of Treasury Management Income

9.6 The Council has in previous years relied on Treasury Management income from dividends and investments to support its budget. Due to the impact of COVID and low interest rates, this income has substantially reduced. This must therefore be reflected by increasing the budget pressure of the Council by £6.600m.

Investment Fund

9.7 The original budget estimates for 2021/22 included an allocation of funding to account for the on-going revenue resource implications of the Capital programme (entitled Investment Fund). Following a review of the Capital Programme, it was assessed that the funding requirement could be reduced by £0.500m from £4.400m to £3.900m.

Development Fund Allocation

9.8 A funding allocation of £1.000m had been included in the estimates to facilitate the funding of business developments which may be identified subsequent to or during the budget process. Following the identification of £0.175m of pressures, these have been funded as follows:

- The allocation of £0.125m to support the increase in costs of software licences as a result of new ICT initiatives that the Council requires to support day to day business and future transformational activities.
- An anticipated increase in the funding required to support the Coroners Service (£0.050m).

Support for a Third Party Service Provider

- 9.9 During 2020/21 the Council has supported a third party supplier experiencing pressures arising from COVID. It was anticipated that further support of £0.500m may be required in 2021/22 and this has been built into the budget estimates.

Flexible Use of Capital Receipts

- 9.10 In line with the MTFS estimates prepared for 2021/22, it had been assumed that there would be the opportunity to take advantage of using capital receipts to support transformational activity. This assumption of £2.000m was therefore included in the revised mid-year position. This has the impact of reducing the budget reduction requirement.

Further Revisions to Budget Estimates

- 9.11 The receipt of the Provisional LGFS has enabled the budget reduction requirement to be updated with Government funding allocations. The opportunity to revise Council estimates has also been taken and this has moved the budget reduction requirement from £29.940m to £26.951m, prior to the adjustment for the Collection Fund Deficit relating to the awarding of Business Rates Reliefs in 2020/21, which will be explained in Paragraph 9.63.
- 9.12 Taking into account all of the above issues, this section of the report explains the revised budget estimates underpinning the calculation of the updated 2021/22 budget reduction requirement. The starting point for the calculation is the latest approved net revenue budget for 2020/21 of £292.845m. Due to the high level of temporary one-off funding received in 2020/21 it is then necessary to exclude this at a value of £58.712m, in line with the Month 8 monitoring position as shown in Section 8. As shown in the table below, the starting point for the 2021/22 estimates is then £234.133m.

Table 9 – Base Budget Adjustment

	2021/22
	£000
2021/22 Net Revenue Budget at Month 8	292,845
Adjustment for new one off funding in 2020/21	(58,712)
Prior Year Adjusted Net Revenue Budget	234,133

- 9.13 The table below highlights the movements from the budget reduction requirement of £29.940m to £27.908m, with explanations of the key issues in the following paragraphs.

Table 10 – Revised Budget Reduction Requirement

	2021/22 Forecasts at 30/11/20	Change	2021/22 Revised Forecasts
	£000	£000	£000
Expenditure			
Prior Year Net Revenue Budget	234,133	0	234,133
One-Off Funding Adjustments	963	1,642	2,605
2020/21 In Year Expenditure Pressures	9,039	441	9,480
COVID Legacy - Estimated expenditure pressures / income losses in 2021/22	0	7,737	7,737
2021/22 Expenditure Pressures	11,950	(2,777)	9,173
Passported Expenditure	2,019	(176)	1,843
Levies	(234)	0	(234)
Total Expenditure	257,870	6,867	264,737
Funding			
Core Government Funding	53,678	(493)	53,185
Other Government Funding	21,820	13,121	34,941
Retained Business Rates	50,983	(961)	50,022
Council Tax	101,449	(2,607)	98,842
Total Funding	227,930	9,060	236,990
Budget Reduction Requirement	29,940	(2,193)	27,747
General Collection Fund Deficit (excluding the impact of Business Rate Reliefs)	0	161	161
Budget Reduction Requirement	29,940	(2,032)	27,908

One-Off Funding Adjustments

- 9.14 The revised budget for 2021/22 had anticipated an adjustment of £0.963m for the impact items included within the budget on a one-off basis. Most of these were confirmed when the budget was revised in November 2020. However, since then there has been a further amendment to estimates resulting in further adjustments totalling £1.642m as follows:

- It had been assumed that the Council would receive grant funding totalling £0.358m for homelessness services. As advised at 6.35, this unringfenced grant is being replaced by an increased level of funding, which is in future ringfenced. This requires an adjustment to the presentation of the net revenue budget; and
- The flexible use of capital receipts at a value of £2.000m was included in budget projections in November 2020. This must be adjusted in the budget presentation at this stage. However, it is revisited as a means to balance the budget in Section 11.

9.15 Table 11 therefore shows these one-off adjustments which total £2.605m.

Table 11 – One-Off Funding Adjustments

	2021/22 Forecasts at 30/11/20	Change	2021/22 Revised Forecasts
	£000	£000	£000
Adjustment for one off funding in 2020/21 Rough Sleeping Initiative	(37)	0	(37)
Adjustment for one off expenditure in 2020/21 - Creating a Better Place	(750)	0	(750)
Ringfence Flexible Homelessness Support Grant	0	(194)	(194)
Ringfence Homelessness Reduction Grant	0	(164)	(164)
Flexible use of Capital Receipts 2020/21	3,750	0	3,750
Flexible use of Capital Receipts 2021/22	(2,000)	2,000	0
Total other base adjustments	963	1,642	2,605

2020/21 Increased Expenditure / Loss of Income

9.16 A number of increases in expenditure and losses of income have been experienced in 2020/21, highlighted through the budget monitoring process. A total of £9.039m of these pressures had been recognised when the revised budget forecast was reported to Cabinet. The reasons for these planned spending increases and revisions to the estimates are presented in paragraphs 9.17 to 9.20. Whilst management action, where appropriate, is in place to mitigate these pressures and bring expenditure levels closer to the resources available, increases to the 2021/22 budget will be required in a number of service areas as set out below.

Unachieved Budget Reductions

9.17 The budget for 2021/22 was prepared on the basis that all anticipated budget reductions would be achieved. As already explained at paragraph 9.5, it has been assessed that the budget needs to be adjusted by £2.089m to ensure stability for 2021/22.

Educational Services

9.18 A number of services within the Education, Skills and Early Years Directorate have experienced budgetary pressures during 2020/21. Whilst it was recognised that the Educational Psychology Services and the Quality, Effectiveness and Support Team (QUEST) have income generation targets, which, given the way in which the services are now being provided are not now considered achievable, there has also been further staffing pressures in year. Again, in order to ensure stability for 2021/22, this has been addressed with the addition of a total of £0.421m added to the service budget.

Early Payment Scheme

9.19 The Council has an income generation target for the early payment scheme. As has been reported in financial monitoring reports, excluding any pressures related to COVID, the target requires revising to more achievable level, resulting in an adjustment of £0.120m to the budget.

Treasury Management

- 9.20 As advised at paragraph 9.6, the Council has in previous years relied on Treasury Management income to support its budget. Due to the impact of COVID, this income has substantially reduced, and the estimate has now been revised to £6.850m. This could not have been foreseen when the original budget estimates were prepared in February 2020 and this must therefore be reflected by increasing the budget pressures.

Summary of 2020/21 Increased Expenditure Items

- 9.21 The changes to the estimates described above are summarised in Table 12 and show the anticipated increase in expenditure of £9.039m has increased by £0.441m to £9.480m.

Table 12 - 2020/21 In Year Increased Expenditure / Loss of Income

	2021/22 Forecasts at 30/11/20 £000	Change £000	2021/22 Revised Forecasts £000
Unachieved budget reductions	2,089	0	2,089
Educational Services	230	191	421
Early Payment Scheme	120	0	120
Loss of Treasury Management Income	6,600	250	6,850
Total 2020/21 In Year Pressures	9,039	441	9,480

COVID Legacy - Estimated expenditure pressures / income losses in 2021/22

- 9.22 The following pressures have been identified as a continuation of increased expenditure or loss of income in relation to COVID. These amounts represent the full use of Government funding allocations as detailed in Section 6 at Paragraphs 6.32 to 6.33.

Income Reductions / Cost Pressures and Home to School Transport

- 9.23 During 2020/21 the pressures related to COVID have been constantly monitored. As is highlighted in the month 8 monitoring report, expenditure pressures in year are currently exceeding the resources available, largely related to COVID. One of the main pressures being experienced in 2021/22 is the loss of treasury management income. This is one area of loss that the Sales, Fees and Charges compensation scheme does not cover. The Council has had therefore to cover this loss itself. As has been explained earlier, this on-going loss has been adjusted for in the estimates and will not therefore impact further on 2021/22.
- 9.24 Working on the Governments assumption that the impact of COVID will reduce during 2021/22 it had been assumed that general pressures of up to £3.000m would be COVID related with £0.741m specifically related to the costs associated with the provision of home to school transport due to demand and the social distancing measures required. These areas of increased expenditure are fully covered by the Government Grant allocation of £7.737m.

Other Expenditure

- 9.25 As had been noted, the Government has allocated £7.737m of COVID specific grant which will fund other pressures. In line therefore with this allocated sum, additional pressures of £3.996m have been assumed to match the allocation. Covid related pressures will be closely monitored in 2021/22.

Summary of COVID Legacy - Estimated expenditure pressures / income losses in 2021/22

- 9.26 The items described above are summarised in Table 13 and show the new anticipated increases in COVID Legacy expenditure of £7.737m fully financed by Government Grant.

Table 13 – COVID Legacy Expenditure

	2021/22 Forecasts at 30/11/20 £000	Change £000	2021/22 Revised Forecasts £000
Covid Legacy - Income reductions / cost pressures	0	3,000	3,000
Covid Legacy - Home to School Transport	0	741	741
Covid Legacy - Other	0	3,996	3,996
Total COVID Legacy - Estimated expenditure pressures / income losses in 2021/22	0	7,737	7,737

2021/22 Expenditure Pressures

- 9.27 The following expenditure pressures have been identified as part of a further review of the 2021/22 budget estimates.

Investment Fund

- 9.28 The first review of the budget reduction requirement for 2021/22 identified that the allocation of funding to account for the on-going revenue resource implications of the Capital programme could be reduced by £0.500m. A second review has taken place which identified a further reduction of £1.650m from £3.900m to £2.250m as a result of re-profiling the Capital Programme.

Pay Inflation

- 9.29 The original estimates assumed that pay awards would average 2.5%. Given the announcement from the Government that it expects public sector pay awards to be limited, the anticipated addition to the budget has been reduced by £1.017m from £1.850m to £0.833m.
- 9.30 Since the Government's initial intentions were made known there has been no further information released and no response from The National Employers for Local Government Services Local Government Employers or from the Trade Unions due to the limitations of such a general announcement without any subsequent detail. The £0.833m remaining in the budget should be sufficient to cover pay awards for those on lower pay points of the NJC scales should it be agreed that there is an uplift in pay for a smaller set of employees as has been the case in the past, or for a general increase of up to 1% should this be agreed with Trade Union. A reserve of £1.000m will be held to mitigate a potential further increase up to a total of 2.5%.

Contractual and Service Inflation

- 9.31 A review of the budget estimates for contractual price and service cost inflation identified a requirement for £1.700m in order to address anticipated pressures in 2021/22. This estimate is unchanged.

Children's Social Care Increased Pressures

- 9.32 In recognition of the financial pressures experienced in 2020/21 and the national trends in Children's Social Care expenditure, additional resources of £1.500m are required to bring further stability to the Children's Social Care budget.

Adult Social Care Demographics

- 9.33 In recognition of the financial pressures experienced by the service in 2020/21, demographic movements and the national trends in Adult Social Care expenditure, additional resources of £1.500m are required to support the Adult Social Care budget.
- 9.34 There are specific reserves that are available to address any overspending in 2021/22 should it be required for either Children's or Adult's Social Care Services.

Development Fund

- 9.35 At the revised estimate stage, £0.175m of the £1.000m Development Fund had been allocated, leaving £0.825m available. This can now be released to support the budget.

Support for a Third Party Provider

- 9.36 The revised estimate assumed that £0.500m of support may be required for a third party provider. Given the worsening COVID position, it is expected that this support will need to increase by a further £0.500m.

DSG Inherited Liabilities

- 9.37 In response to the funding notifications from the Department of Education, a review of the funding available for historic commitments chargeable to the Central Schools Services Block of the DSG has been undertaken. This has identified that a sum of £0.265m can no longer be charged to the DSG. This relates to historic commitments including on-going pension liabilities. These costs will not cease and therefore as they cannot be charged to the DSG, they must be met from the Council's revenue budget.

Software Licences

- 9.38 At the revised estimate stage £0.125m was allocated to support the additional cost of software licences. There has been no change to this position.

Coroners Services

- 9.39 A further review of the requirement for resources to support the Coroners Service has determined that the previously assumed additional £0.050m resource allocation is no longer required.

Summary of 2021/22 Expenditure Pressures

- 9.40 The changes to the estimates described in paragraphs 9.27 to 9.39 are summarised in Table 14 below and show a reduction of £2.777m, from an overall expected pressure of £11.950m to £9.173m.

Table 14 - 2021/22 Expenditure Pressures

	2021/22 Forecasts at 30/11/20 £000	Change £000	2021/22 Revised Forecasts £000
Investment Fund	3,900	(1,650)	2,250
Pay Inflation	1,850	(1,017)	833
Contractual and Service Inflation	1,700	0	1,700
Children's Social Care Growth	1,500	0	1,500
Adult Social Care Pressures Demographics	1,500	0	1,500
Development Fund	825	(825)	0
Support for Leisure Provision	500	500	1,000
DSG Inherent Liabilities	0	265	265
Software Licenses	125	0	125
Coroners Service	50	(50)	0
Total 2021/22 Expenditure Pressures	11,950	(2,777)	9,173

Funding Passported Directly to Services

Adult Social Care Precept (ASCP)

- 9.41 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 the Community Health and Adult Social Care Directorate. A 2.00% increase to the ASCP (to reflect 2021/22) Council Tax Policy) will generate an additional £1.844m. This has reduced by £0.175m from the level anticipated due to the reduction in the Tax base as previously described.

Parish Precepts

- 9.42 At this stage there has been a small reduction of £0.001m to the level of Parish Precepts as a result of the change to the Tax Base. This change has no detrimental impact to the Council. Should there be a change to the precept amount charged, a change to expenditure will be offset by an equal and opposite adjustment in Council Tax generated.

Summary of Funding Passported Directly to the Service

- 9.43 The changes to the estimates as described in paragraphs 9.40 to 9.42 are summarised in Table 15 below and show an overall reduction of £0.176m from an anticipated increase in resources of £2.019m to a net increase of £1.843m.

Table 15 - Funding Passported Directly to the Service

	2021/22 Forecasts at 30/11/20 £000	Change £000	2021/22 Revised Forecasts £000
Passporting of Adult Social Care Precept (ASCP)	2,019	(175)	1,844
Revised Parish Precept	0	(1)	(1)
Total Passported Expenditure	2,019	(176)	1,843

Levies

GMCA – Waste Disposal Levy

- 9.44 It is anticipated that the Council will be formally notified of the GMCA Waste Disposal levy for 2021/22 on 12 February 2021. In accordance with the notification received when the 2020/21 budget was set there is an initial indication that the levy will reduce by a value of £0.236m to £17.212m.

GMCA – Transport Levy

- 9.45 The GMCA will also consider its 2021/22 Transport Levy payable by the Greater Manchester Districts on 12 February 2021. Oldham's Transport Levy is expected to be held at the same base level as in 2020/21, a sum of £16.076m.

Contributions to GM-Wide Activities

- 9.46 The GMCA will also consider its 2021/22 budget on 12 February 2021 and contributions to GM wide activities are expected to be unchanged at a total value of £0.823m.

Environment Agency Local Levy

- 9.47 On 2 February 2021 the Environment Agency will provide Councils with provisional levy amounts for the 2021/22 financial year and then from 8 February 2021 onwards will advise of any amendments made as a result of changes to provisional data.
- 9.48 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 2021/22. This was anticipated in the original forecasts and as such does not represent a change to the estimates.

Summary of Levies/Contributions

- 9.49 The changes to the estimates relating to Levies described in paragraphs 9.44 to 9.48 are summarised in Table 16 and show an anticipated reduction of £0.234m.

Table 16 – Impact of Levies

	2021/22 Forecasts at 30/11/20 £000	Change £000	2021/22 Revised Forecasts £000
GMCA - Waste Disposal Levy	(236)	0	(236)
GMCA - Transport Levy	0	0	0
Contributions to GM-Wide Activities	0	0	0
Environment Agency Levy	2	0	2
Total Levies	(234)	0	(234)

- 9.50 The table below presents the overall expected position for GMCA levies and the Environment Agency Levy. It shows an overall reduction of £0.234m in line with the table above.

Table 17 – Levies/Contributions for 2020/21

Levy/Contribution	2020/21 Budget £000	2021/22 Budget £000	Difference £000
GMCA - Waste Disposal Levy	17,448	17,212	(236)
GMCA - Transport Levy	16,076	16,076	0
Contributions to GM-Wide Activities	823	823	0
Environment Agency	108	110	2
Levies/Contributions for 2021/22 and change from anticipated levels	34,445	34,221	(234)

Impact of 2020 Spending Round and Provisional LGFS

- 9.51 The 2020 Spending Round announcement and the Provisional LGFS covered previously in Section 6 of the report have resulted in changes to the Business Rates Top Up grant and Grants in Lieu of Business Rates. These are set out in the table below.

Table 18 – Core Government Funding

	2021/22 Forecasts at 30/11/20 £000	Change £000	2021/22 Revised Forecasts £000
Funding			
Business Rates Top Up	41,541	207	41,748
Grants in Lieu of Business Rates	12,137	(700)	11,437
Total Funding	53,678	(493)	53,185

Other Unringfenced Government Grants

- 9.52 Section 6 of the report details Government announcements included within the Provisional LGFS relating to the continuation of specific funding streams associated with grants including the Improved Better Care Fund, Social Care Support Grant, Local Council Tax Support Grant and Housing and Council Tax Benefit Administration Grants. This funding now totals £34.941m, an increase of £13.121m compared to the original February 2020 estimates as detailed at paragraph 6.39.
- 9.53 These funding adjustments are summarised in Table 19 below.

Table 19 – Other Unringfenced Government Grants

	2021/22 Forecasts at 30/11/20 £000	Change £000	2021/22 Revised Forecasts £000
Total Other Unringfenced Government Grants	21,820	13,121	34,941

Locally Generated Income

Retained Business Rates

- 9.54 It was initially anticipated that Retained Business Rates income for 2021/22 would be £50.983m. This estimate has been revised down to £50.022m but is still subject to change. The Council must submit to the MHCLG a locally determined and approved Business Rates forecast through the National Non-Domestic Rates (NNDR 1) return by 31 January 2021. AS previously advised, any change to the estimates arising from the NNDR1 can be approved under delegated authority by the Deputy Leader and Cabinet Member for Finance and Green in consultation with the Director of Finance. The work to finalise the NNDR is still underway.

Table 20 – Retained Business Rates

	2021/22 Forecasts at 30/11/20 £000	Change £000	2021/22 Revised Forecasts £000
Retained Business Rates	50,983	(961)	50,022
Total Funding	50,983	(961)	50,022

Council Tax

- 9.55 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

- 9.56 The approved tax base has decreased by 463 from 57,663 to 57,200. This had not been anticipated when original estimates for 2021/22 were prepared. Indeed, an increase of at least 500 had been anticipated. In addition, the original planning assumption, in line with the previous Council Tax policy, was for a 1.99% general increase to Council Tax and the revised policy of a 0.99% general increase also lowers the anticipated Council Tax income. The net effect of the reduced tax base combined with the anticipated general increase to Council Tax is a reduction of £2.431m from £90.460m to £88.029m.

Adult Social Care Precept

- 9.57 Council Tax policy is to increase the Adult Social Care Precept by 2%. This precept has to be highlighted separately on the face of the Council Tax bill. This increase will generate an additional £1.914m Council Tax income for 2020/21. This is a reduction on the anticipated sum of £1.946m due to the impact of the reduction in the tax base. This sum will be passported in full to support Adult Social Care.
- 9.58 In addition, the decrease to the tax base for 2020/21 also impacts on previous years ASCP figures and reduces the sum anticipated by £0.143m. Rather than £8.752m a slightly lower sum of £8.609m will be generated. This sum will however be passported to Adult Social Care services.

Parish Precepts

- 9.59 The Parish Precept expenditure referenced at paragraph 9.42 reflects a slightly reduced position from 2020/21 resulting in income of £0.290m.

Summary of Council Tax Income

- 9.60 Full Council Tax levels and calculations are presented in Section 15 of this report and show, due to the reduction in the Taxbase, an overall reduction in anticipated Council Tax income of £101.449m to £98.842m.

Table 21 – Council Tax Income

	2021/22 Forecasts at 30/11/20 £000	Change £000	2021/22 Revised Forecasts £000
Council Tax Income	90,460	(2,431)	88,029
Adult Social Care Precept 2021/22	1,946	(32)	1,914
Adult Social Care Precept 2016/17 to 2020/21	8,752	(143)	8,609
Parish Precepts	291	(1)	290
Total Locally Generated Income	101,449	(2,607)	98,842

Collection Fund Deficit

- 9.61 The Government has recently passed legislation that requires Councils to spread the deficit of the Collection Fund over three years. This will be applied to both Council Tax and non-domestic rates and will be incorporated into the regulatory process of estimating the collection fund deficits in January 2021. This will mean that 2020/21 Collection Fund deficit will still be recovered but allowing the longer time frame, reduces the impact on the 2021/22 budget setting process.
- 9.62 As advised in the month 8 monitoring report due to the impact of COVID, there is a significant 2020/21 Collection Fund deficit. However, after applying this new legislative approach to normal Collection Fund activity, a deficit of £0.161m will require to be recovered from the General Fund in 2021/22 with a further £2.092m in both 2022/23 and 2023/24.
- 9.63 In addition, due to the way in which Government awarded Business Rate relief to the retail, leisure, hospitality and nursery businesses after the 2020/21 budget had been set, it has agreed to reimburse the Council for the element of the Collection Fund deficit that this will cause. It is estimated that this will be £25.463m (the final figures will only be confirmed at the end of the financial year). The Government has been reimbursing the Council for this sum during 2020/21 and therefore there are resources available to fully offset this deficit. This funding will be carried forward in to 2021/22 as a reserve.

Table 22 – Collection Fund Deficit

	£000
General Collection Fund Deficit (excluding the impact of Business Rate Reliefs)	(161)
Collection Fund Deficit – impact of Business Rates Reliefs	(25,463)
Collection Fund Deficit to be addressed in 2021/22	(25,624)

Revised Budget Reduction Requirement after Adjustments to Estimates

- 9.64 The result of these revisions to estimates is that the comparative budget reduction requirement has reduced from £29.940m to £27.908m (excluding the technical adjustment for the Collection Fund deficit caused by Business Rate reliefs) as illustrated at a summary level in the table below and explained in the commentary from paragraph 9.14 to 9.63.

Table 23 – Revised Budget Reduction Requirement

	2021/22 Forecasts at 30/11/20 £000	Change £000	2021/22 Revised Forecasts £000
Total Expenditure	257,870	6,867	264,737
Total Funding	227,930	9,060	236,990
Budget Reduction Requirement	29,940	(2,193)	27,747
General Collection Fund Deficit (excluding the impact of Business Rate Reliefs)	0	161	161
Budget Reduction Requirement	29,940	(2,032)	27,908
Collection Fund Deficit – impact of Business Rates Reliefs	0	25,463	25,463
Adjusted Budget Reduction Requirement	29,940	23,431	53,371

- 9.65 The detailed MTFS estimates for 2021/22 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 2021/22 revenue budget has followed on from the successful processes adopted in previous years. Using the well-established Member review process, 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
 - Communities and 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) bearing the signatures of the relevant Cabinet member.
- 10.4 A total of 43 budget reduction proposals at a cumulative value of £8.920m for 2021/22 with an FTE impact of 97.28 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 (excluding REF-BR1-432 at a value of £0.127m which is a one-off use of reserves and is presented in a later table). Net recurrent budget reductions total £8.793m
- 10.5 Assuming approval of the budget reduction proposals, the budget reduction requirement for 2021/22 reduces from £53.371m to £44.578m.

Table 24 – Summary of Proposed Budget Reductions

	2021/22 £000	2021/22 £000
Revised Budget Reduction Requirement after Adjustments to Estimates		53,371
Community Services & Adult Social Care	(2,729)	
Communities & Reform – excluding £0.127m use of reserves	(499)	
Children's Services	(911)	
Chief Executive	(134)	
People and Place	(3,225)	
Commissioning	(490)	
Cross Cutting	(805)	
Total Budget Reduction Proposals		(8,793)
Revised Budget Reduction Requirement after Budget Reduction Proposals		44,578

11 Other Financing Means – Flexible Use of Capital Receipts

- 11.1 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 £2.000m of capital receipts to fund elements of Oldham's transformational agenda in line with the directive guidance and therefore in 2021/22 the first £2.000m of unfettered receipts will be used to support the revenue budget via the financing of transformational projects.
- 11.2 Use of £2.000m of capital receipts was anticipated in the medium term financial strategy, with the expectation that it could be increased. This lower sum (for 2020/21 £3.750m was initially budgeted) is in recognition of the challenge in generating capital receipts as advised in the 2020/21 month 8 financial monitoring report. This could however be revised in year should the generation of capital receipts increase above anticipated levels.
- 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.
- 11.5 Once the Flexible Use of Capital Receipts is factored into the revenue budget, the remaining budget reduction requirement reduces to £42.578m as presented in the table below.

Table 25 – Other Financing Means

	2021/22 £000
Revised Budget Reduction Requirement after Budget Reduction Proposals	44,578
Flexible use of Capital Receipts 2020/21	(2,000)
Revised Budget Reduction Requirement	42,578

12 Use of Reserves

- 12.1 Unusually for 2021/22 there is a technical adjustment required to the budget as a result of the Collection Fund deficit caused by the Government introducing Business Rate reliefs for retail, leisure, hospitality and nursery businesses after the 2020/21 budget had been set. The estimated sum (the final figures will only be confirmed at the end of the financial year) is £25.463m. Government is paying the Council grant compensation for the loss of Business Rates income through 2020/21 and this will be carried forward as a reserve. The use of this reserve will then offset part of the Collection Fund deficit.
- 12.2 As already advised a specific reserve of £0.127m representing budget reduction REF-BR1-432 will be used to support the 2021/22 budget.
- 12.3 A key part of the Medium Term Financial Strategy and the budget setting process for 2021/22 is the creation of £29.000m of Earmarked Reserves to support the budget over 2021/22 and 2022/23. The Balancing Budget reserve has been revised to accommodate this. It is therefore, proposed to balance the revenue budget for 2021/22 by utilising corporate reserves at a value of £16.988m. This is comprised of £15.988m of reserves carried forward from 2019/20 and an additional £1.000m created in 2020/21 as a result of the Local Tax Income Guarantee as set out in paragraph 6.31. The balance of the £29.000m, a sum of £12.012m will be used support the 2022/23 revenue budget.
- 12.4 Included within the Reserves Policy 2019/20 to 2020/21 was the requirement for a full review of all reserves to be completed. During 2020/21, the Finance Service in conjunction with budget managers, reviewed each reserve to ensure that resources could be made available to support the future financial resilience of the Council. As explained above £29.000m of Earmarked Reserves are required to support the 2021/22 and 2022/23 budgets and as a result of this requirement, a significant number of specific reserves set aside to fund corporate initiatives and to manage risk have been decommissioned.

Table 26 – Use of Reserves

	2021/22 £000	2021/22 £000
Revised Budget Reduction Requirement		42,578
Use of Balancing Budget Reserve		
Collection Fund Deficit – Business Rates compensation	25,463	
Budget Reduction REF-BR1-432	127	
Specific Reserve - Local Tax Income Guarantee	1,000	
General Use of reserves	15,988	
Total Use of Reserves		42,578
Revised Budget Reduction Requirement after Use of Reserves		0

- 12.5 It is acknowledged that the 2021/22 revenue budget is underpinned by the deployment of reserves and that this is not sustainable in the medium term. However, the Council is committed to delivering its Transformation Programme to support the revenue budget in future years. This is set out in more detail in Section 17; the Medium Term Strategy.

Ability to Address COVID Related Pressures

- 12.6 An important consideration in preparing the 2021/22 budget is the impact of COVID and the ability of the Council to withstand any additional financial pressures. The Government (via the MHCLG) has provided £7.737m of grant funding to support the impact of COVID. The availability of this resource together with the compensation available from the Sales, Fees and Charges scheme (if required) for which no assessment has been made, give some assurance that the pressures of COVID can be addressed. The Government has advised that it will provide further funding if necessary.
- 12.7 However, it is important to note that in addition to the grant funding received from the MHCLG, the Council has also received extensive support to cover a number of initiatives, principally to support hospital discharges into adult social care services but also for a range of costs including personal protective equipment for care providers. This has been financed the Department of Health via Oldham CCG in line with Government policy. There will be the continuation of such costs beyond 1 April 2021, but the ongoing provision of NHS funding is less clear. The most recent surge in COVID cases would suggest that funding will continue but this has not been confirmed.
- 12.8 In addition, the Council has received significant COVID specific ringfenced grants in 2020/21. It is anticipated that any of this resource that is not spent by the end of 2020/21 can be carried forward (although none has been included in the year end reserve projections). It is also anticipated that there may be further allocations of specific resources beyond the end of 2020/21, depending on the course of the pandemic. The main pressure caused by COVID for which no Government compensation is provided is the loss of treasury management income. This has been built into the budget estimates and therefore is fully covered and will present no further financial pressure.
- 12.9 The reserves and balances outlined in the next section are also a key element in the Councils ability to manage unforeseen pressures. Reserves are being held to provide support should there be any overspending in both Children's Services and Adult Social Care. Reserves are also available to support the transformation programme which will underpin the Councils budget strategy and should pay awards be agreed above the available sum built into the budget. Balances have been risk assessed to provide support in case budget reductions are not delivered to timeline.
- 12.10 Reserves and balances would be used should there be any significant unplanned costs, including those arising from the withdrawal of NHS resources for adult social care, that cannot be contained within the extra COVID related resources provided by Government.

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- 12.11 Given the financial position and uncertainties that will prevail in 2021/22, it is important that the measures introduced in 2020/21 to more effectively manage expenditure are continued (or adapted as appropriate) in 2021/22. Members will recall that these measures were agreed initially in the Financial Update – Budget 2020/21 and 2021/22 report to Cabinet on 24 August 2020 and confirmed in a further report of the same name, approved at Cabinet on 30 November. These measures are:
- A continuous review of the capital schemes within the capital programme to ensure that the schemes are focussed on maximising the benefit to the Borough whilst minimising the revenue impact;
 - Maintaining expenditure controls to stop the commissioning of goods and services not deemed essential to the operation of the Council at a time of emergency – both revenue and capital items;
 - Maintaining tight recruitment controls and reviewing the use of agency/temporary staff;
 - Reviewing all revenue budgets to assess if there is an excess resource that can be reallocated to offset the financial challenge presented by COVID;
 - More rigorously enforcing budget holder accountability, especially on all overspending budgets via task and finish meetings with officers and the Cabinet Members with responsibility for the relevant budgets;
 - Stopping the introduction of new initiatives unless they are essential (such as a response to a Government initiative) which will enable resources (staffing and financial) to be focussed on existing priorities;
 - Maintaining the stringent controls on the use of any reserves in order to minimise the call down of reserves and undertaking a continuous review of reserves to decommission those deemed to no longer be a priority so they are available to underpin the financial position of the Council.
- 12.12 Whilst the financial challenge remains significant, there are resources available to address to address such challenges in 2021/22 and plans to deliver transformational change that will deliver financial stability. However, the in-year position will be kept under close review with the financial monitoring reports presented to Cabinet being an early indicator that management action is required and allowing the formal agreement of measures to contain expenditure.
- 12.13 The MTFS section of the report sets out in more detail the strategy to achieve financial sustainability over the period 2022/23 and 2023/24.

13 Reserves and Balances

- 13.1 The forecast year-end Earmarked Reserves position presented below reflects the estimated closing balance for 2020/21 and hence the total reserves available for the financial year 2021/22. However, this is before the proposed use of reserves of £42.578m as highlighted at Table 26.

Table 27 – Reserves Position

Earmarked Reserves	2020/21 Opening Balance £000	2020/21 Estimated Closing Balance £000
Adverse Weather Reserve	(1,000)	(1,000)
Balancing Budget Reserve - 2020/21	(10,008)	-
Balancing Budget Reserve - 2021/22	-	(42,578)
Balancing Budget Reserve - 2022/23	-	(12,012)
Council Initiatives Reserve	(3,531)	(1,904)
Demand Changes Reserve	(2,000)	-
Directorate Reserves	(1,860)	(1,339)
District Executive Reserves	(629)	(502)
Emergency and External Events Reserve	(2,251)	-
Fiscal Mitigation Reserve	(26,977)	(3,455)
Insurance Reserve	(12,165)	(8,073)
Integrated Working Reserve	(3,986)	(3,297)
Levy Reserve	(403)	(250)
Life Cycle Costs Reserve	(1,580)	(1,080)
Regeneration Reserve	(4,661)	(3,715)
Taxation/Treasury Reserve	(500)	-
Transformation Reserve	(7,809)	(5,710)
Total	(79,360)	(84,915)

- 13.2 Although the estimated level of reserves at the end of 2020/21 is £84.915m, this is artificially high due to the technical requirement to carry forward as a reserve, the £25.463m of Government grant compensation to support the loss on the Collection Fund due to the granting of Business Rates reliefs after the budget was set. The use of this reserve, alongside the use of £17.115m of general reserves to underpin the 2021/22 budget (a total of £42.578m), will therefore utilise in full the 2021/22 Balancing Budget Reserve on 1 April 2021.
- 13.3 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 2020/21 position will not be determined until the year-end accounts have been prepared. It is possible that many of the COVID specific grants received by the Council may not be spent in year and carried forward to support 2021/22. This would therefore increase the reserves, but as yet it not possible to make a reasonable estimate of such reserves. The availability of these COVID specific reserves is a key strand in the Councils response to managing its COVID related expenditure in 2021/22.

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- 13.4 As detailed at paragraph 8.11, there is a potential requirement to use reserves to support the 2020/21 budget if additional funding and/or management actions do not reduce the forecast adverse variance. At this stage this is considered unlikely.
- 13.5 Having regard to all relevant information, it is recommended that the level of General Fund balances required to support the 2021/22 budget increases from £15.110m to £15.641m. 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 2021/22 financial year. It is proposed that 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 2020/21 financial year. The proposed value and percentage increase for 2021/22 where applicable for each charge is included within the Appendix.
- 14.2 For the majority 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 In determining the proposals, consideration has been given to whether:
- it is appropriate to increase fees and charges in the context of the pandemic;
 - charges need to increase to keep pace with service specific cost pressures and inflation in order to avoid creating a future budget pressure;
 - proposals support the long-term sustainability and viability of services which rely on a significant proportion of fee income to cover service costs;
 - increased charges are necessary to mitigate overspends or alternatively support the delivery of budget reduction proposals;
 - the market can bear any additional increase;
 - fee increases could be counter-productive as they have the potential to reduce demand.
- 14.4 For the majority of charges, Directors and Heads of Services have proposed no increase. This is mainly due to the impact of the pandemic on users of key services together with a weakening of demand. Where demand for services has fallen, it is not yet clear when or whether this will recover to pre-pandemic levels.
- 14.5 Proposals have, however, been put forward to increase some charges to deal with service specific cost pressures and inflation. This is also deemed necessary to support the long-term sustainability and viability of specific services. The rejection of proposals to increase charges may lead to additional budget pressures and an increase in the budget reduction requirement.
- 14.6 Below is a brief summary of the proposals for each service
- a) Registrars (Births, Deaths and Marriage Duties)
- It is proposed that charges remain unchanged at 2020/21 levels.
- b) Libraries, Leisure and Culture
- It is proposed that charges for Library Services, Oldham Theatre Workshop, Local Studies and Archives and Oldham Gallery remain unchanged at 2020/21 levels. A small increase in Music Centre charges is proposed of around 1%.

c) Outdoor Education

Charges for the Castleshaw centre and the provision of instructors are proposed to increase by an average of 1.5%. Charges for the School Swimming Service are proposed to increase by 3.8%. It is proposed that charges for study support remain unchanged at 2020/21 levels.

d) Lifelong Learning

Many lifelong learning tuition fees remain free to users of the service. Where charges are levied, it is proposed these are increased by an average of 3%.

e) Adult Social Care

It is proposed that housing and care charges covering helpline services remain unchanged. An average 2% increase is proposed for services associated with the protection of property. Court of Protection fees remain unchanged at present, but these will be determined in line with Statutory provisions.

f) Corporate Landlord/Facilities Management

Due to a significant weakening of demand resulting from the pandemic, no increase is proposed in room hire or facilities charges at sites including Chadderton and Failsworth Town Halls, the Queen Elizabeth Hall, the Link Centre and the Honeywell Centre.

g) Parking

Again, due to the impact of the pandemic and weak demand, no increase is proposed for parking charges.

h) School Meals

From 1 April 2021, it is proposed that school meal charges are increased by 15p per meal. A child's meal will cost £2.55 and an adult meal will cost £2.75 (excluding VAT). Also proposed is a further increase of 5p in child and adult meals with effect from 1 September 2021.

i) Parks, Open Spaces and Outdoor Facilities

A small increase of around 1% is proposed for the hire of changing accommodation, pitches and open spaces.

j) Cemeteries and Crematorium

New charges are proposed for funerals which arrive later than the agreed appointment time. New charges are also proposed for direct cremations (no memorial service) and the live streaming of the chapel service. Charges for most services are proposed to increase by between 2% and 3%. Larger increases are proposed for services where charges were frozen in 2020/21.

k) Highways

It is proposed that charges for skip, scaffolding and hoarding licences are increased by an average of 2.5%. Other charges associated with Highways and Traffic are proposed to increase by a similar amount although a small number of charges are proposed to increase by 3% or more.

l) Planning

Planning fees remain unchanged at present, but Members should note that many of these charges are determined in line with Statutory provisions.

m) Public Protection

It is proposed that charges associated with Food Safety, Environmental Health, Health and Safety, Neighbourhood Enforcement, Public and Animal Health, Trading Standards, Taxi Licencing and Other Licencing remain unchanged compared to 2020/21. A range of increases are proposed for Pest Control services; most of which are between 1% and 4%. Many Pest Control charges have not changed since 2019/20 or earlier in a small number of cases.

n) Security

It is proposed that charges for Patrolling and Guarding Services, CCTV and First Response Services are increased by around 3% in most cases. It is also proposed that charges for static security guarding are rationalised to one charge of £20.10 per hour. Similarly, charges for the hire of Radio Communications Equipment will be fixed at £18. Charges for some CCTV, monitoring, keyholding and concierge services are proposed to remain unchanged at 2020/21 levels.

o) Waste and Fleet Management

To remain competitive, it is proposed that fleet MOT charges remain unchanged. Trade Waste charges for refuse collection are proposed to increase by between 2.5% and 3% whilst recycling charges are proposed to increase by between 1.5% and 2.5%. In terms of domestic waste, many services remain free to residents. Where charges are levied, increases are typically between 1% and 3% with many charges increasing by only a few pence.

- 14.7 Excluding school meals, the fees and charges relating to educational establishments and schools e.g. lifelong learning, outdoor education, music, and swimming have been reviewed in line with the academic year and any resulting changes will commence from September 2021. The charges for these areas included within the Appendix relate to charges from September 2021 onwards.
- 14.8 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.
- 14.9 Given the uncertainty caused by COVID, 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 could vary. As advised earlier in the report, the Government compensation for lost sales, fees and charges income (is set to continue for at least the first 3 months of 2021/22). This is helpful in the context of considering fees and charges income levels for 2021/22.

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 2021/22 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 2021/22 is therefore recommended to be £1,722.94 of which £183.97 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 Mayoral Police and Crime Commissioner precept will be considered by the Police and Crime Panel by the end of January 2021. It is expected that the precept will be formally determined at the GMCA meeting on 12 February 2021. As the Mayor's approach has not been determined, for reporting purposes, the precept is shown as remaining static at a value of £208.30.

Mayoral General Precept (including Fire Services)

- 15.6 The Mayor will also propose the Mayoral General Precept on 12 February 2021 (this will incorporate funding for Fire and Rescue Services as well as other Mayoral functions). Again, the Mayor's intention has yet to be determined so at this stage the only position that has been assumed is a static level at a value of £90.95.

Parish Precepts

- 15.7 Saddleworth and Shaw & Crompton Parish Councils are due to agree their budgets and precepts in January 2021. At present no change is assumed in the level of precept.
- 15.8 The Parish Precept income will however decrease as a result of a reduction in respective tax bases. This change is currently estimated to be at a value of £0.001m.

Draw on Collection Fund

Council Tax

- 15.9 Subject to confirmation from all precepting bodies, taking account of the approved Council Tax Base of 57,200 for 2021/22 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 2021/22 are:

Table 28 – Draw on Collection Fund

Precepting Body	2020/21 £000
Oldham Council including Social Care Precept	98,552
Mayoral Police and Crime Commissioner Precept	11,915
Mayoral General Precept (including Fire Services)	5,202
Saddleworth Parish Council	198
Shaw & Crompton Parish Council	92
TOTAL	115,959
Less: contribution from Parish Taxpayers	(290)
TOTAL Draw on Collection Fund for Major Preceptors	115,669

- 15.10 The 2021/22 Band D Council Tax is shown in the table below at anticipated levels for Oldham Council services, Mayoral Precepts and Parish Precepts. These will clearly change as the budget setting processes of each organisation develop.

Table 29 - Anticipated Band D Council Tax

Council Tax Raising Body	2020/21 £	2021/22 £	Change %
Oldham Council (subject to confirmation)	1,672.92	1,722.94	2.99%
Mayoral Police and Crime Commissioner Precept (subject to confirmation)	208.30	208.30	0.00%
Mayoral General Precept (including Fire Services) (subject to confirmation)	90.95	90.95	0.00%
TOTAL BAND D COUNCIL TAX	1,972.17	2,022.19	
Saddleworth Parish Council (subject to confirmation)	22.76	22.76	0.00%
Shaw & Crompton Parish Council (subject to confirmation)	16.86	16.86	0.00%

16 Overall 2021/22 Revenue Budget Strategy

16.1 The key elements of the 2021/22 revenue budget strategy are:

- The revised budget reduction requirement of £53.371m for 2021/22;
- The budget reduction proposals set out in Section 10 of the report;
- The use of other funding opportunities to balance the 2021/22 budget, namely, the flexible use of capital receipts 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 paragraph 16.1, the overall budget strategy for 2021/22 can be summarised as follows:

Table 30 – Overall Budget Strategy

Budget Strategy	2021/22	
	£000	£000
Directorate budget requirements	262,737	
Collection Fund Deficit – impact of Business Rates Reliefs	25,463	
Budget Reductions excluding use of reserves	(8,793)	
Budget for 2021/22 before use of reserves		279,407
<u>Less Government Funding</u>		
Business Rates Top Up	(41,748)	
Grants in Lieu of Business Rates	(11,437)	
Improved Better Care Fund Grant	(10,858)	
2021/22 Social Care Support Grant	(8,947)	
Lower Tier Services Support Grant	(407)	
Local Council Tax Support Grant	(3,183)	
Covid Grant	(7,737)	
New Homes Bonus Grant	(171)	
Independent Living Fund (ILF) Grant	(2,500)	
Housing Benefit Administration Grant	(778)	
Council Tax Administration Grant	(360)	
		191,281
<u>Less</u>		
Retained Business Rates	(50,022)	
Collection Fund Deficit	161	
Parish Precepts	(290)	
		141,130
<u>Add Precepts</u>		
Mayoral Police and Crime Commissioner Precept	11,915	
Mayoral General Precept (including Fire Services)	5,202	
Total Council Tax including Levies (A)		158,247
Current Council Tax, adjusted for Tax Base (B)		115,669
Difference (A-B)		42,578
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 2021/22 would be as set out in detail at **Appendix 8** and the summary for 2021/22 to 2023/24 is set out at **Appendix 9**. This presents a balanced position for 2021/22, a budget reduction requirement of £32.815m for 2022/23 and £21.564m for 2023/24 before any use of reserves and indicative budget proposals.

17 Budget Strategy and Medium Term Financial Planning for Future Years

- 17.1 The Council has never faced such financial uncertainty. Whilst the Council was already planning to address a £23.251m budget reduction requirement for 2021/22 with significant savings also projected for the years to 2024/25, COVID has exacerbated the position and heightened the challenge. The Council's priority is therefore to stabilise the financial position and ensure its financial resilience over the medium term.
- 17.2 In view of the above and the single year funding notification provided in the Provisional Local Government Finance Settlement, the MTFS which usually covers a five year timeframe has been reduced to three years, covering the period 2021/22 to 2023/24. As this is a time of constant challenge and change, forecasting and developing financial plans must be focussed. Looking too far into the future would not be an effective exercise at this time. However, the Council will revert to a five year timeline for future financial planning rounds.
- 17.3 Estimates upon which the MTFS is based are prepared based on the best information currently available but remain under continuous review. The local, regional and national policy landscape continues to develop and change. In addition, existing financial challenges are subject to revision 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. As soon as the 2021/22 revenue budget has been finalised, the cycle of reviewing the budget reduction requirement for 2022/23 and future years will begin again.
- 17.4 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.
- 17.5 As this section of the report highlights, there are significant budget reduction targets for both 2022/22 and 2023/24 but addressing the challenge for 2021/22 to 2023/24 must be considered as a three year plan. 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.
- 17.6 A consequence of responding to the COVID-19 pandemic has been the inability of the Council to take forward its planned programme of transformational change in line with plan. This was a key strand of the MTFS approved for the period 2020/21 to 2024/25. Nonetheless, work has taken place in developing a revised programme which will be the focus of the financial strategy. However, given the extent of the financial challenge, as outlined in the earlier part of this report, a balancing budget reserve of £29.000m has been created to support the phasing of the delivery of:
- Savings arising from the budget proposals put forward which have an impact in 2022/23 and 2023/24
 - The next phases of the agenda for transformational change

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- 17.7 However, the budget reduction requirement for 2022/23 in part reflects the use of reserves and flexible use of capital receipts that have been used to balance the 2021/22 revenue budget. Similarly, the target for 2023/24 is high due to the reserves planned to support the 2022/23 budget. It is important to note that the Balancing Budget reserve will have been used by 2023/24, unless there is an opportunity to top it up with additional funds, so it is essential that robust and deliverable budget proposals are available.

Policy Landscape Surrounding the Development of Medium-Term Financial Plans

National Context

- 17.8 The overriding influence on budget setting for 2021/22 is COVID-19. This has overtaken all other issues both nationally and locally. Now that vaccines are beginning to be rolled out, it must be assumed that at some time during 2021/22 the impact of COVID will begin to reduce and the recovery will begin. The MTFS has been prepared on this basis. Indeed, the Government has assumed this in allocating grant support for 2021/22. However, the impact will remain with expert opinion suggesting some restrictions will be necessary during the winter of 2022/23. It is anticipated that Government will provide additional support should it prove necessary.
- 17.9 Prior to COVID, the Government had indicated that it was prepared to reverse some of the impacts of the years of austerity and begin to provide further investment in public services including Local Government. The long awaited review of Adult Social Care provision was expected and there was an increasing recognition of the vital role played by the Local Government sector. The Government was pressing ahead with Brexit and was committed to securing a trade deal with the EU by December 2020 (finally agreed on 24 December 2020 and signed on 29 December 2020) ruling out any extension to the post-Brexit transition period. There was, however, no clarity on how Brexit might impact on the nation's public finances nor how it might impact on the Council's medium-term financial position.
- 17.10 The Chancellor was expected to deliver a Budget giving clarity over future investment. A multi-year Comprehensive Spending Review was expected, the Review of Relative Needs and Resources (Fair Funding Review) which sought to redistribute unringfenced grant on a new formula basis, was also to be introduced from 2021/22 together with significant reform of the Business Rates system. These were all delayed by COVID. It is evident that the significant investment that the Government has had to make is responding to the COVID crisis will have an impact on funding available for public services in future years. Delivering the 2020 Spending Review, the Chancellor said his immediate priority was to protect people's lives and livelihoods as the country continued to battle the outbreak.
- 17.11 The overarching challenge in preparing the MTFS is that due to COVID, the multi-year Comprehensive Spending Review planned for 2020, which was to aid a medium term planning process was cancelled. Instead, in November 2020 the Spending Review provided funding allocations for one year only with no indication of future funding.
- 17.12 This was then translated into the Provisional LGFS which advised that many of major general fund grant funding streams have to a large extent, simply rolled forward from 2020/21 and these are assumed to roll forward into 2022/23 and 2023/24. Estimates have therefore been prepared based on assumptions as set out in paragraph 17.26 below. The COVID related funding allocations included within the Provisional LGFS are also single year allocations although it is hard to assess if and how the COVID legacy will impact in years beyond 2021/22. It is assumed that Government funding will follow, if necessary, to address evident and on-going COVID related financial pressures.

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- 17.13 It is also assumed that Department of Health funding support that the Council has been able to access via Oldham CCG for costs of hospital discharges into Adult Social Care will be continued in relation to legacy expenditure.
- 17.14 Adding to the uncertainty created by the absence of any Spending Review estimates for 2022/23 and beyond, the timelines for the major reforms to the Local Government Finance system are unclear:
- As advised previously, the Review of Local Authorities Relative Needs and Resources has been delayed and the Government has not specified when it will conclude. This could lead to a significant redistribution of resources between Local Authorities as it is aimed at removing some of the perceived inequalities in the allocation of national Government funding;
 - The Spending Review announced that Government is undertaking a fundamental review of the business rates system and is currently considering responses to the call for evidence. A final report setting out the full conclusions of the review will be published in spring 2021. Linked to this:
 - In order to provide further stability to the sector, the Government has decided not to proceed with a reset of business rates baselines in 2021/22. When this is eventually initiated it will have the impact of potentially redistributing existing gains and losses associated with the current system
 - The planned move to 75% Business Rates Retention system has been delayed and consequently the existing 100% business rates pilot schemes will continue for a further year. It is therefore anticipated that the Greater Manchester 100% Business Rates retention pilot scheme will cease at the end of 2021/22;
 - Business rates revaluations will be implemented in April 2023 rather than April 2021. This will affect the amount of business rates paid by the occupiers of commercial premises. To better reflect the impact of COVID-19, it will be based on property values as of 1 April 2021. Revaluation will, in future, take place every three years. It is unclear how the Government will address any significant reduction in a Councils ability to generate income locally arising from this revaluation.
- 17.15 In addition, the Spending Review announced that in the longer term, the Government is committed to a sustainable improvement of the adult social care system and will bring forward proposals in 2021/22. This is likely to have financial implications.
- 17.16 The potentially significant redistribution in general Government grant resulting from the issues outlined above, whatever the level of resources made available on a national basis, adds to the challenge of developing and providing medium-term financial forecasts. Therefore, whilst this section of the report presents forecast budget reduction requirements for the period 2022/22 to 2023/24. Members must consider these forecasts as indicative only.

Regional Context

- 17.17 As previously outlined in Section 3 of this report, Greater Manchester continues to take 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.

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- 17.18 However, as a result of the impacts of COVID, GMCA has published a one year 'Living with COVID Plan' but is also preparing for the building back better phase of responding to COVID. The plan therefore begins to outline how Greater Manchester will respond to the disproportionate impact COVID has had on people's lives and businesses, how to recover and build resilience and the level and type of support vulnerable communities will still need.
- 17.19 It recognises that the Greater Manchester Strategy remains the key policy document that will shape the future of Greater Manchester. The Living with COVID plan also has a key role to play in driving system change and provides a bridge between the unique situation being faced over the next 12 months, the existing Greater Manchester Strategy and the refresh of that document now planned for next year.
- 17.20 The extent to which this agenda will be supported by Central Government both in policy and in funding terms remains unclear. The recently published National Infrastructure Strategy has outlined major investment and the Levelling Up Fund will prioritise bids to drive growth and regeneration in places in need, those facing particular challenges, and areas that have received less Government investment in recent years. Whilst this is capital investment, Oldham Council, the other Councils in GM and the GMCA will seek to maximise funding and work together on key projects. 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.
- 17.21 The GMCA also faces challenges in its medium-term financial planning in the current environment, as it too is affected by the absence of any Central Government funding estimates beyond 2021/22. However, the GMCA and the 10 District Councils 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 precepts) also impact on Council Tax charges for Oldham citizens.

Local Context

- 17.22 The Councils Corporate Plan expired in December 2020. Work to refresh Oldham's Corporate Plan was due to be completed by summer 2020, however, the impact of the COVID pandemic meant that this was no longer possible. Instead, the Council is in the process of developing a COVID-19 Recovery Strategy which will act as an interim Corporate Plan until at least 2022. This will reflect the ambitions for the Borough including place based working, further integration with the health and wider public sector, the opportunities provided by devolution but being mindful of the constraints placed by the resources available and the significant budget reduction requirement over the period to 2023/24.

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- 17.23 Whilst the Council believes the funding/resource position may ease in future years in the post COVID medium-term, there remains a significant financial challenge which must be addressed by driving forward transformational change and taking a longer term approach to budgetary planning. After having addressed the immediate requirement of balancing the 2021/22 budget as outlined earlier in this report, a strong framework has been put into place to take forward the transformational change needed to ensure financial stability whilst at the same time:
- Continuing to manage the response to COVID;
 - Delivering essential services to Oldhamers; and
 - Laying the foundations for an effective recovery in the post COVID period.
- 17.24 The programme of transformation which, whilst interrupted during 2020 due to the pandemic, is now gathering pace and has:
- identified and agreed 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;
 - programme management systems in place to drive the implementation of those changes to a successful conclusion.
- 17.25 The programme of transformation is supported by a range of existing medium-term strategies which are designed to make a positive contribution to the Council's financial standing as well as supporting the ambitions for the Borough including those in the COVID-19 Recovery Strategy.
- 17.26 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

- 17.27 Notwithstanding the uncertainty presented by the national policy context, the Council has prepared high level budget estimates for the period 2022/23 to 2023/24. The key forecasting assumptions underpinning the estimates are as follows:
- Pay Awards – 2.5% per annum for both years, however this will be kept under review given the Government's announcement in relation to pay award restrictions for 2021/22;
 - 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;
 - 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 and Social Care Support grants are expected to continue at 2021/22 levels (cash standstill);
- Council Tax & Housing Benefit Administration 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 2021/22 in line with comments made by the Secretary of State as part of the Provisional LGFS;
- COVID legacy – Government funding will be announced for 2022/23 and future years to address on-going and evident pressures at a level sufficient to minimise the impact on the Council including NHS resources to support Adult Social Care hospital discharge legacy costs;
- Business Rates – Retained revenues and associated Government grant top ups and compensation payments are assumed to be cash flat recognising the current challenges and that there may be some changes to the Business Rates regime over the period of the MTFS.
- Council Tax for General Purposes – Referendum limits are expected to remain at 2% and Council Tax increases to be 1.99%
- Adults Social Care Precept – using the flexibility allowed for 2021/22, a 1% increase is assumed for 2022/23 plus a further 1% (a total of 2%). The Government has not announced any future policy intention beyond 2021/22. However, the additional 1% has been assumed for 2022/23 together with a further 2% for 2023/24. Any ASCP increase will be passported through to Community Health and Adult Social Care Services;
- Overall Local Council Tax – the assumption is an overall 3.99% increase for 2022/23 and for 2023/24 (but of course will be subject to an annual review).

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

- All budget reductions are delivered at the full amount and per timeline;
- 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;
- 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;
- 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 Balancing Budget reserve includes £29.000m created to support the budget process for 2021/22 and 2022/23);
- 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. Any reduction in DSG funding for Council provided school support activities will be incorporated within MTFS estimates

17.29 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.

Risks and Uncertainties

- 17.30 As outlined above, there are a vast range of risks and uncertainties influencing the MTFS. Much relies on the impact of COVID fading during 2021/22 and the MHCLG and the Department of Health (via Oldham CCG) continuing to provide financial support for COVID related costs. The Council will need to be flexible in its response to a potentially rapidly changing policy and financial environment.
- 17.31 There may be a more significant on-going COVID legacy. This has not been factored specifically into future years estimates and may therefore create pressures that need to be included in forecasts.
- 17.32 A potential risk is the inability to deliver the transformational change to the timeline and values required. The delivery of the change is a key assumption in the financial strategy. The position will require constant review, however, the programme management arrangements that have been established will provide an early warning if challenges are encountered.
- 17.33 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.
- 17.34 At the local level, the medium-term financial estimates also assume that beyond 2021/22 there will be a return to a growth in the Council Tax Tax Base. This is expected to result from an upturn in the economy as employment opportunities increase, fewer people will be eligible for Council Tax Reduction and more new homes will come on stream. This is supported by the recent development and roll out of COVID-19 vaccines. It is also assumed that there will be no material deterioration in collection rates for local tax revenues. These assumptions rely on the successful delivery of the Council's housing strategy as well as being able to maintain or improve collection rates for Council Tax and Business Rates.
- 17.35 Business Rates continue to present specific forecasting challenges due to general volatility surrounding Business Rates income, the impact of COVID and the ability of certain sectors to bounce back, the impact of appeals and changes in Government policy around Business Rates reliefs. This is compounded by the planned reset of the system, the expected move to 75% Business Rates Retention and the revaluation process.
- 17.36 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.
- 17.37 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 (2022/23 and 2023/24)

- 17.38 Summarised in Table 31 is the forecast budget reduction requirement for the period 2022/23 to 2023/24, including 2021/22 to show the three year perspective. This is based on the assumptions detailed above and high-level estimates presented at **Appendix 9**. The figures assume all 2021/22 budget reduction proposals presented as part of this report will be approved and implemented in full.
- 17.39 The information presented below, assumes all currently planned savings are delivered and a planned use of reserves for 2022/23. It therefore highlights the target budget savings to be addressed by further transformation or cross cutting initiatives – a total of £14.123m for 2022/23 and £16.808m in 2023/24 (£30.391m in total). It is important to note that by the 2023/24 budget, it is assumed sufficient savings will have been made to remove the reliance on reserves underpinning the budget.

Table 31 – Forecast Budget Reduction Requirement

Budget Pressures/ Balancing Measures	2021/22 £000	2022/23 £000	2023/24 £000
Budget Reduction Requirement	53,371	13,070	9,552
Add back one off measures		19,115	12,012
Net Gap / Budget Reduction Requirement	53,371	32,185	21,564
Recurrent Savings	(8,793)	(6,050)	(4,756)
Use of Reserves			
- Collection Fund Deficit	(25,463)		
- Specific Reserve	(127)		
- General Reserves £29.000m	(16,988)	(12,012)	
- Flexible use of Capital Receipt	(2,000)		
Target Budget Reductions Required from Transformation / Other Changes	0	14,123	16,808

- 17.40 The following paragraphs present the means by which savings will be delivered, championed by the Transformation Programme.

Transformation Programme

- 17.41 As previously stated, the Council has a programme of transformational activity which is being further developed to make a substantial contribution towards addressing the forecast budget reduction requirements for 2021/22 onwards.
- 17.42 The programme comprises four main workstreams and each of these is led by a member of the Executive Management Team (EMT) with the Chief Executive taking overall responsibility for the initiative (the Health and Care workstream is jointly led by two EMT members):
- Place Based Integration/Communities
 - Children's Services
 - Health and Care
 - Economy

A description of each of the main workstreams and associated activities expected to contribute to addressing future budget reduction requirements is set out below.

- 17.43 A number of the 2021/22 budget reduction proposals have on-going implications across 2022/23 and 2023/24. These proposals are expected to make a significant contribution to closing the budget gap. These are set out in the table below, aligned to workstreams.

Table 32 – Indicative Current Transformation Programme Savings

Indicative Transformation Programme Savings 2021/22 to 2023/24	2021/22 £000	2022/23 £000	2023/24 £000	Totals £000
Place Based Integration/Communities	236	100	0	336
Children's Services	614	814	672	2,100
Health and Care	1,938	1,570	400	3,908
Economy	2,465	3,566	3,684	9,715
Total	5,253	6,050	4,756	16,059

- 17.44 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.
- 17.45 Mindful that in some instances there is a requirement to support change with some pump-priming resources, the reserves strategy includes a Transformation Reserve for which the current balance is £5.700m and this will be used from 2021/22 onwards to support the implementation of the initiatives outlined in the following paragraphs.

Programme 1 - Place Based Integration / Communities

- 17.46 The purpose of this programme is to transform the way in public services engage with and support communities. The place-based model will underpin a new approach to engaging with people, working around a strengths-based approach and mobilising community resources with a focus on early intervention and prevention. New delivery models will be based on a single response to need, with services across the public and VCFSE sector working in a much more joined up way, sharing information and addressing common challenges, being closer to communities and working through the five districts of Oldham, with services configured and aligned to those localities. By organising services this way, it

will reflect the needs of local areas and manage demand through more preventative approaches. This will include working through solutions to sustain Oldham's award winning approach to social prescribing using the innovation partnership. A key aim is to reduce the cost of service delivery through a reduction in buildings and assets and more effective deployment of a joint workforce (the realisation of efficiencies through the use of buildings and assets is included in the Economy programme)

- 17.47 Place based integration is not new to Oldham and is not a standalone programme unrelated to the way in which mainstream services are delivered. Rather it is the way that mainstream services will be delivered across public services and in partnership with residents. COVID has helped the acceleration of working as a unified public service by bringing services closer together with a new sense of shared purpose but also exacerbated the financial challenges and forced thinking about how meaningful and targeted services can still be delivered with less resources. In addition to the approaches to working with NHS partners, opportunities will continue to be taken forward for closer working with police, housing providers, VCFSE organisations and others in improving operational efficiency and effectiveness whilst also strengthening local engagement and enabling communities to contribute more significantly to improving outcomes.
- 17.48 This approach underpins the activities of the other workstreams, so it is essential not to double count the financial benefits. The first stage has been the development of proposals to align districts into 5 areas for which a saving of £0.136m has been proposed for 2021/22 (this is in addition to savings included in the overarching voluntary redundancy budget reduction proposal). Having established the new teams and working arrangements, this lays the foundation for future place based initiatives. Only one on-going saving of £0.100m can be aligned to this workstream as set out in the table below. However, an additional indicative target of £0.500m over 2022/23 to 2023/24 has been assigned to this workstream as presented below, bringing the total expected to £0.700m over the period 2021/22 to 2023/24. A business case is in development to outline more specific options for the way in which more integrated services can be delivered through a district based model.

Table 33 – Place Based Integration / Communities

Reference	Proposed Budget Reduction	2021/22 £000	2022/23 £000	2023/24 £000	Totals £000
REF-BR1-416	Districts Realignment	136	0	0	0
REF-BR1-415	Mahdlo Funding Reduction	100	100	0	200
	Additional Anticipated Programme Saving		200	300	500
	Total	236	300	300	700

Programme 2 - Children's Services

- 17.49 From 13-15 October 2020 Ofsted conducted a focused visit in Oldham based on how England's social care system has delivered child-centred practice and care within the context of the restrictions placed on society during the COVID pandemic. The majority of findings are overwhelmingly positive, and no immediate priority actions were identified. Inspectors recognised that a sharp focus has been maintained on improvement priorities during period from April to October 2020 and that this has increased the pace of improvement and had a positive impact on workforce culture. It is from this encouraging position that plans for the transformation of services can be delivered. It is evident that in 2020/21 and previous years, despite investment in Children's Services, that expenditure has exceeded budget. However, having stabilised the position with the injection of some additional resources for 2021/22, there is the opportunity to transform services and deliver savings.
- 17.50 There is an identified need for social care strength in the early help provision at the front door. Work will be directed at preventative service provision to reduce demand, building on the work that is already in train and for which savings have already been proposed. Revised service delivery models will be based on and complement the place based approach described within the Communities programme.
- 17.51 Services that are commissioned from external providers will be reviewed. As contracts come up for renewal, especially where there are several contracts with different providers for similar services, opportunities will be taken to amalgamate service provision into boarder contracts with more targeted performance measurements. Also, where appropriate, a joint commissioning approach will be taken with partners to drive efficiencies and improve service outcomes. Experiences of the delivery of services during the COVID pandemic have begun to demonstrate that there are different, effective and more flexible delivery models which reflect the needs and views of children and young people.
- 17.52 Work will continue with schools and other partners to drive efficiency in Education Service provision, again around a place based model. Work is already in train to around Special Educational Needs and Disability provision and this will be developed across the whole of Education Services, also supporting the DSG recovery plan as well as the revenue budget.
- 17.53 As advised above, key to reducing costs will be an emphasis on demand management, comparing and contrasting expenditure in Oldham to other similar organisations and using this to explore opportunities for effective change. Recognising that this is one of the largest areas of expenditure for the Council, budget proposals of £2.100m have already been presented for 2021/22 to 2023/24, however a further target of £6.025m has been assigned to this workstream as shown in the table below, bringing the total to £8.125m over the period 2021/22 to 2023/24.

Table 34 – Children's Services

Reference	Proposed Budget Reduction	2021/22 £000	2022/23 £000	2023/24 £000	Totals £000
CHS-BR1-441	SEND Education Provision	114	114	372	600
CHS-BR1-443	External Placements Cost Avoidance	500	500	0	1,000
CHS-BR1-445	Early Help Remodelling	0	200	300	500
	Additional Anticipated Programme Saving		3,100	2,925	6,025
	Total	614	3,914	3,597	8,125

Programme 3 - Health and Social Care Integration

- 17.54 The NHS Long Term Plan sets out a vision for integrated care but around the needs of local people in order to:
- Enable decisions to be taken closer to the communities they affect;
 - Enable collaboration between health, care, public health and the voluntary sector as it is more effective than competition in addressing health inequality, improving outcomes and reducing waste from overlapping service; and
 - Enhance collaboration between acute providers across larger geographic footprints in order to be more effective in sustaining high quality care taking inequality in access to services and improving productivity.
- 17.55 The Long Term Plan also places a greater focus on prevention and as this is a key aspect of the Oldham strategy the local and national approaches are aligned. The emphasis is on reducing demand and the costs of care in the medium to long term. Aligning resources across and between organisations will facilitate longer term benefits, economies and a whole system approach.
- 17.56 In addition, a recent publication, Integrating Care – Next Steps to Building Strong and Effective Integrated Care Systems across England, has signalled an internal reorganisation by the NHS that will result in Integrated Care Systems (ICS) operating from no later April 2022. This clearly impacts the GM health and social care devolution agenda but also specifically the operational arrangements in Oldham.
- 17.57 However, good progress continues to be made with regard to Health and Social Care integration. Oldham is therefore well placed to adapt to the changes and development linked to the national and regional change. 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 which aim to ensure the future financial sustainability of the local health and social care economy. Work is taking place to consider whole system sustainability across the footprint of the Oldham Borough and deliver cross sectoral savings and efficiencies.
- 17.58 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 is building on the existing collaborative working arrangements by:
- Sharing and co-locating more services (Oldham CCG is now based at Oldham Civic Centre) 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;
- 17.59 Locally, the model of integrated delivery will complement health and social care integration in neighbourhoods and the place based approach as described above,
- 17.60 Leading up to the period 2022/23, and linked to the ICS development programme 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.

- 17.61 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 although organisational statutory requirements will be delivered. 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.
- 17.62 It is inevitable that change of the magnitude envisaged will take time to be developed. Savings so far included within the remit of this programme workstream total £3.908m and are all attributable the Community Health and Adult Social Care Service. As this is one of the major spending services in the Council, it is appropriate that it makes a significant contribution to the financial sustainability of the Council. However, potential savings are expected from demand management initiatives and over the period 2022/23 to 2023/24 a target of £8.225m has been assigned as shown in the table below, bringing the total to £12.133m over the period 2021/22 to 2023/24.

Table 35 – Health and Social Care Integration

Reference	Proposed Budget Reduction	2021/22 £000	2022/23 £000	2023/24 £000	Totals £000
CSA-BR1-423	Maximising independence through alternative models of care	1,500	1,000	0	2,500
CSA-BR1-424	CHASC Workforce Reduction	100	50	0	150
CSA-BR1-430	Achieving Better Outcomes: Supported Living and Learning Disabilities	288	500	0	788
CSA-BR1-435	Residential Enablement Redesign	0	0	400	400
CSA-BR1-429	Keyring	50	20	0	70
	Additional Anticipated Programme Saving		4,000	4,225	8,225
	Total	1,938	5,570	4,625	12,133

Programme 4 - Economy

- 17.63 The economic context of the borough is a key determinant of quality of life for Oldham residents and businesses. Public sector organisations in Oldham are ‘anchor institutions’ and are the largest employers in the Borough as well as having significant influence in shaping residents’ lives. This theme is divided into two main areas as described below:
- a) Creating a Better Place - Projects and Assets*
- 17.64 The financial challenge facing the public sector has been exacerbated by the reductions in revenue arising from the economic and social conditions in the Borough. By focussing on the development of robust economic initiatives a vibrant local economy can be rebuilt together with a high-quality environment that is attractive to residents and visitors.
- 17.65 Corporate land and property assets are essential to the delivery of the Council’s priorities. As part of the refreshed ‘Creating a Better Place’ initiative approved by Cabinet on 24 August 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.

- 17.66 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.
- 17.67 In addition, the Council will rationalise its office accommodation, where possible, following the place based principles and co-locate staff with partners to maximise efficiencies and realise the potential of 'One Public Estate' for Oldham and Greater Manchester.
- 17.68 The regeneration of Oldham town centre remains a Council priority. The recent acquisition of the Spindles and Town Square Shopping Centres is a key part of the Creating a Better Place initiative unlocking land and development opportunities. 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.
- 17.69 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 2020/22 to 2025/26.
- 17.70 This investment will bring future benefits to Oldham through additional economic and housing growth, which may provide increased revenue from, for example, Council Tax.
- 17.71 In addition to the budget reduction of £1.541m proposed for 2021/22, further budget reductions are expected – net of required offsetting costs. The anticipated budget reduction for 2022/23 is £2.991m with £3.684m expected in 2023/24. This is expected to be the first phase of the benefits of this transformational change.

b) Digital

- 17.72 The digital infrastructure underpins a modern and forward looking Borough and reflect the expectations of residents and businesses to transact with public sector organisations using the latest technology, to increase choice and improve satisfaction while moving high volume transactions on to more cost-effective alternatives.
- 17.73 The opportunity to utilise the advantages provided by new technology and digital is one of the key enablers for much of the Council's change agenda. The transformation of service delivery across the Council and the integrated working arising from health and social care devolution will be supported by a range of enabling activity including technology and digital change amongst others. The Council's current IT strategy (2017 – 2022) is determining the direction of travel and is supported by £7.571m of Capital Programme investment. This Strategy and the accompanying investment has served us well thus far and has already provided the platform for a more flexible approach to working through the delivery of technology that improves mobility (laptops, smart phones, MS Office 365, Teams and improved network access). The IT Strategy is being refreshed and this, along with the new Digital Strategy sets out the principles and approach to be adopted in order to enable new and more efficient ways of working and sets out the building blocks to deliver across a range of themes.
- 17.74 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.

- 17.75 The Digital Services strand of the Digital Strategy is key to enabling cost reduction. The intent is to support all Service areas to review how they deliver services currently and assist the Services to re-design their service provision in order to determine how digital and technology change may extract benefits by delivering efficient, simple and easy access.
- 17.76 Work has started to focus on Customer delivery to change our approach to engagement with residents and businesses. This will align with the place based model, it is proposed to redesign the service including customer support services, to provide an improved customer experience and journey with local support available where needed so there will no longer be a need to travel to a central point for service. A digital maturity assessment was undertaken in 2020, 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 is being developed to outline how this ambitious change process will be realised through an iterative and outcomes-orientated approach to change.
- 17.77 The savings associated with providing digital access, self-service, automation and more efficient ways of working are expected to be delivered via cost reduction in service budgets. Digital will help enable Services to redesign delivery and consequent cost reduction will need to be captured by Service areas. Care will need to be taken to ensure no double accounting takes place. Savings so far included within the remit of this workstream total £1.499m, however, further savings, which are currently under development are expected to deliver savings from 2022/23.

Economy Budget Reduction Target

- 17.78 Collectively the Economy workstream is expected to deliver £9.715m over the period 2021/22 to 2023/24 with a further £5.475m savings target being assigned to it as shown in the table below bringing the total to £15.190m.

Table 36 - Economy

Reference	Proposed Budget Reduction	2021/22 £000	2022/23 £000	2023/24 £000	Totals £000
PPL-BR1-401	Creating a Better Place - Projects & Assets	1,541	2,991	3,684	8,216
PPL-BR1-403	Digital Mail	24	100	0	124
PPL-BR1-421	Transformation of the Contact Centre	120	45	0	165
PPL-BR1-439	Internal Efficiency Initiatives (Unity Partnership)	780	430	0	1,210
	Additional Anticipated Programme Saving		2,000	3,475	5,475
	Total	2,465	5,566	7,159	15,190

Transformation Programme – Enabling Activities

- 17.79 Each programme of work requires a specific focus from specialist functions that enable the delivery of business change. These typically include but are not limited to Human Resources and Organisational Design, Information and Communications Technology, Business Intelligence, Legal and Finance services. Through effective planning of these enabling activities the requirements of the totality of the programme will be managed to identify matters of timing, sequencing and capacity. It is evident that many of the planned

workstreams and the themes within them are interlinked. However, the overall programme management of the workstreams will create a more coherent approach to the extensive change activities, provide focus on the most important projects and enable more effective management of the interdependencies.

Budget Reductions – Cross Cutting Initiatives

- 17.80 The opportunities for budget reductions are not confined to the four programmes or enabling activities. There are a wide range of other areas of the Councils operations that will be explored to identify other opportunities for savings and efficiencies.

Organisational Design

- 17.81 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

- 17.82 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 open additional opportunities for transforming services to help ensure the Council can operate within available resources for the medium to long term. The new ways of working that have been required as a result of COVID-19 have dramatically demonstrated how flexible workstyles and an agile model of working can be effective. Again, linked to the place based model, this will be further explored to ensure that the Council can bring the 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.
- 17.83 Responding the programme of change, the Council will also consider if voluntary redundancy options can be utilised if necessary, to support the change programmes.

Income Generation

- 17.84 The Council has an approved income strategy and will endeavour to pursue key objectives within this strategy. As such 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, minimising any adverse impact on the Councils budget;
 - Wholly owned companies, the Unity Partnership and MioCare, will explore opportunities for generating income from clients other than the Council to reduce the contribution the Council provides towards operating these companies.
- 17.85 Although not specifically income generation, the Council will continue its efforts to maximise grant income and bid for external resources for both revenue and capital priority projects to reduce the requirement for specific Council funding.

17.86 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 (especially support functions) 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 including the use of benchmarking analysis and reviewing practices at other Local Authorities.

17.87 At this stage there is still further work to assign specific budget reduction targets to other areas of activity, indeed the overarching target could change as is based on estimates, however as shown in the table below, it is expected that £10.706m of savings will be identified from cross cutting initiatives including income generation and service specific budget reductions and efficiencies. As initiatives are progressed, more definitive estimates will become available.

Table 37 – Cross Cutting Initiatives

Proposed Budget Reduction	2021/22 £000	2022/23 £000	2023/24 £000	Totals £000
Additional Anticipated Programme Saving from Cross Cutting Initiatives	0	4,823	5,883	10,706
Total	0	4,823	5,883	10,706

Indicative Savings to be derived from Transformation Programme and Cross Cutting Initiatives

17.88 In addition to the savings of £16.059m already planned from the transformational workstreams, the following table summarises the indicative savings of £20.225m that may be achievable from the successful delivery of the additional activities in these service areas. 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 38 – Transformation Programme and Cross Cutting Initiatives Summary

Workstream	2021/22 £000	2022/23 £000	2023/24 £000	Totals £000
Place Based Integration/Communities	0	200	300	500
Children's Services	0	3,100	2,925	6,025
Health and Care	0	4,000	4,225	8,225
Economy	0	2,000	3,475	5,475
Total Transformation Programme		9,300	10,925	20,225
Cross Cutting Initiatives	0	4,823	5,883	10,706
Total Budget Reduction Requirement		14,123	16,808	30,931

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- 17.89 Clearly this planned activity does not full address the budget reduction requirement. Therefore, further phases of the transformation programme together with other budget processes will clearly have to be employed to address the £11.080m remaining forecast budget reduction requirement (should that sum remain unchanged). In this regard Cross Cutting Initiatives illustrated will be undertaken to support the transformation programmes. During the course of 2021/22, as the next phases of the transformation programme develop and begin to deliver change, the contributions of each of these workstreams will be reported and further targets determined.

On-going Budget Review

- 17.90 Given the importance of delivering budget reductions and embedding the programme of transformational change, during 2021/22, there will be a regular review of the progress of existing change programmes against the delivery milestones and financial targets. It will also ensure that there is continuous emphasis on the delivery of change and the achievement of the budget reductions required in line with the three year strategy.

Reserves and Balances

- 17.91 In the light of the risks and uncertainties highlighted in the MTFS, it is important to maintain a healthy and robust level of reserves and balances to manage uncertainty. Undoubtedly the financial resilience of the Council has been reduced but based on the reserves and balances information set out at Section 13, the position remains manageable when considering the 2021/22 to 2023/24 MTFS period. As outlined above, the Council has prudently set aside £5.700m to support the implementation of transformational change and this reserve will be released in line with the progression of the various change programmes. It is, however, imperative that there are no unforeseen calls on reserves which would undermine the strategy.
- 17.92 Whilst the MTFS indicates a potential general use of reserves of £29.000m to balance the budget over the period 2021/22 to 2023/24, with good budget management practices, the delivery of transformational change and budget reduction proposals in line with expectations and taking forward any opportunities for income generation, there may be an opportunity to replenish reserves to improve financial resilience. This will be considered during the final accounts processes for respective financial years.
- 17.93 The continued reliance on the use of reserves to balance the budget is not without risk but given the planned approach, the availability of reserves to support the transformation process and other corporate initiatives, the risk is to some degree mitigated. However, the position will be monitored closely and in line with the Councils Reserves Policy which is reported to the Audit Committee.

18 Pay Policy Statement

- 18.1 Included at **Appendix 10** 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 – PVFM accept the assumptions and resulting financial forecasts presented within the report and the budget position at Appendix 4.
- Option 2 – PVFM propose amendments to the assumptions which will change the resulting budget reduction requirement and financial forecasts.
- Option 3 – PVFM can recommend all the budget reduction proposals included in this report to the value of £8.920m for approval and the approach to the use of reserves and balances and as well as Council Tax and Adult Social Care Precept increases.
- Option 4 - PVFM can request that further work is undertaken on some or all of the budget proposals and the approach to reserves and balances and that Cabinet 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 Public consultation on the proposed budget reductions opened on 9 November 2020 and is set to close on Monday 1 February 2021. At the time of writing there have been 611 responses to the consultation; well above the target of 500 responses. 60% of the budget proposals have so far received positive feedback from members of the public.
- 21.2 The table below shows the eight proposals with a net negative agreement. This is where the total of respondents who strongly disagree or disagree outnumbers those who have strongly agreed or agreed.

Proposal	Ref	Net Agreement
Keyring	CSA-BR1-429	-60%
Service review of SEND QUEST team	CHS-BR1-440	-38%
Sheltered Housing Support	CSA-BR1-433	-29%
Carers Personal Budgets	CSA-BR1-426	-17%
Men in Sheds Funding	CSA-BR1-436	-12%
Closure of Grassroots day care centre	CSA-BR1-431	-10%
Adult Social Care Prevention and Early Intervention Service	CSA-BR1-434	-10%
Reduction in Mahdlo funding	REF-BR1-415	-8%

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- 21.3 Members of the public were asked, through the consultation process, to suggest alternative budget reductions. Suggestions received so far have included amending conditions for staff, such as reducing mileage and car park allowances, and reducing the spend on floral displays.
- 21.4 A full report on the consultation findings will be produced after the consultation period has ended. This report will go to Cabinet on 23 February 2021.
- 21.5 Consultation has taken place through a range of channels in order to encourage maximum public engagement within the consultation process. This has included engaging with the traditional media, including newspaper reports; social media; digital media; and through community engagement, including posting out copies of the consultation to a randomly-selected sample group of addresses in areas with less digital access.
- 21.6 Oldham Council also worked directly with Action Together and other community groups to improve the response from Black, Asian and Minority Ethnic (BAME) communities, to try and ascertain the most representative spread of responses from across the whole borough.

(Paul Shelmerdine, Research, Engagement and Consultation Lead)

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 before 11 March 2021.

(Paul Entwistle, Director of Legal Services)

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 In support of the Council's budgetary pressures, the organisation issued a Section 188 notice and launched a voluntary reduction programme on the 24 August 2020 inviting applications from the workforce to leave the organisation on the grounds of voluntary redundancy or reduce their working time through part-time hours, flexible retirement or the purchase of additional leave. This scheme closed on the 4 October 2020 and the majority of approved applicants (69) left the organisation on the 31 December 2020. This programme was equally mirrored in the Unity Partnership with 12 approved applicants. This exercise was undertaken as a pre-cursor to Service Redesign and compulsory redundancies in an effort to reduce the impact on the workforce.
- 25.2 Upon conclusion of the voluntary programme the organisation issued a second Section 188 notice on the 4 January 2021 to open formal consultation with Staff and Trade Unions in areas where the approved budget reduction proposals required service redesign and would result in a reduction of posts / staff. The issuance of a formal S188 notice is a 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.

25.3 Formal consultation with affected staff and Trade Unions will conclude on the 18 February in advance of full Council sign-off for the proposals.

25.4 Upon approval, implementation will be undertaken in accordance with the appropriate policies / procedures and proactive redeployment put in place to minimise the impact on the workforce where possible.

Paul Dernley (Assistant Director - HR Operations)

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.

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- 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.
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- 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 FG-11-20

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 - 10
Officer Name:	Anne Ryans / Neil Stott
Contact:	anne.ryans@oldham.gov.uk (0161 770 4902) neil.stott@oldham.gov.uk

- Appendix 1 - Council Policies and Strategies
- Appendix 2 - Dedicated Schools Grant 2021/22
- Appendix 3 - Council Tax Tax Base Calculation 2021/22
- Appendix 4 - Current Budget Position 2021/22
- Appendix 5 - Budget Reductions Summary
- Appendix 6 - Detailed Budget Reduction Proposals and Draft EIA's
- Appendix 7 - Proposed 2021/22 Fees and Charges Schedules
- Appendix 8 - Budget Position 2021/22 post Budget Proposals
- Appendix 9 - Summary MTFS Position 2021/22 to 2023/24 post Budget Proposals
- Appendix 10 - Pay Policy Statement 2021/22
 - 10a – Table 1: Senior management remuneration
 - 10b – Chart 1: Family tree of officers earning over £50k as at December 2020
 - 10c – Table 2: Salaries expressed as a ratio of the Chief Executive as at December 2020