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## **Report to Cabinet**

# **Medium Term Financial Strategy 2022/23 to 2026/27**

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### **Reason for Decision**

To provide Cabinet with the forecast budget reduction requirement estimates for the period 2022/23 to 2026/27 having regard to the three-year Indicative Spending Review published on 27 October 2021, key Government Policy Documents (including the two White Papers on the future of Adult Social Care entitled Building Back Better and People at the Heart of Social Care plus the Levelling Up the United Kingdom White Paper issued on 2 February 2022) and the Provisional Local Government Finance Settlement published on 16 December 2021.

### **Executive Summary**

This report sets out the Council's Medium Term Financial Strategy (MTFS) for the period 2022/23 to 2026/27. 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 estimated budget reduction requirement for this period.

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 both its revenue budget for 2022/23 and Medium Term Financial Strategy to 2026/27.

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It is important to note that the Government has only provided certainty in a one-year settlement for the financial year 2022/23 and an indicative settlement as per the Spending Review for a further two years. The MTFS estimates for 2023/24 to 2026/27 are, therefore, based on a series of assumptions and must be considered indicative at this stage. The notification of detailed allocations of grant funding for one year has caused uncertainty and hinders effective planning by the Council both financially and operationally as future Government funding intentions such as those detailed in the Levelling Up the UK White Paper are difficult to assess. This position, together with the transformational and organisational plans for change that the Council will implement to address its best estimate of the present financial challenge are outlined in this report.

At this stage, only the Provisional Local Government Finance Settlement has been received although the Final Settlement is expected very soon. Once the Final Settlement has been announced, any implications for the MTFS will be incorporated and financial projections amended as appropriate.

The MTFS highlights the plan to deliver significant savings from the financial year 2023/24 onwards linking into the budget report elsewhere on the Agenda which outlines the proposals for the financial year 2022/23. Whilst it is anticipated that the Council will continue to rely on the use of reserves to support the revenue budget in 2023/24 and 2024/25 at a value of £9.932m, additional budget reductions are expected to be achieved as part of the Council's transformation programme. Indeed, there are budget reductions agreed within the 2021/22 budget that have an impact on 2022/23 and beyond and proposed budget reductions for 2022/23 that have an impact on 2023/24 and beyond. In total it is anticipated that these budget reductions will impact on 2023/24 at a value of £6.817m, £1.450m in the financial year 2024/25 and further £0.303m in the financial year 2025/26.

The budget reduction requirement for subsequent years after the delivery of approved budget reductions and the use of reserves is forecast to be £16.711m for 2023/24, £8.117m for 2024/25, £8.384m for 2025/26 and £5.682m for 2026/27. However, given the level of anticipated change instigated by Government, these estimates will be kept under constant review and will be subject to amendment. Nonetheless they provide a starting position from which more detailed financial and operational plans can be developed.

The Council's approach to balancing its budget is to embark on an ambitious transformation programme based upon the Delivering a Sustainable Future (DaSF) concept and shape programme supported by appropriate investment which will aim to deliver long term recurring savings whilst improving the efficiency of service delivery. This is developing the work established in the 2021/22 to 2023/24 MTFS, largely aligned to the themes established and approved at Budget Council in March 2021. The following DaSF core themes are summarised below:

- Enablers for Transformation
- Placed Based Integration/ Communities
- Children's Transformation Programme
- Adult Social Care Transformation Programme including Health and Care Integration
- Economy and Public Realm (including the Creating a Better Place Strategy)

In addition, there are a range of Cross Cutting initiatives that have been identified that will complement these core themes within the transformational programme.

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Given the financial challenges that have been identified for 2023/24 to 2026/27, indicative budget reduction targets have been assigned to each core theme. There must be some flexibility within this plan given the uncertainty that underpins financial planning, especially for the latter part of the MTFFS period. In view of the importance of delivering budget reductions and embedding the programme of transformational change, during 2022/23, there will be a regular review of the progress of the 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 five-year strategy.

Presentation of this report to the Policy Overview and Scrutiny Committee on 27 January 2022 was a key stage in the budget consultation process. The Committee scrutinised the report and the other reports on the agenda that form a core part of the Council's strategic financial planning framework. The Committee was content to commend the report to Cabinet without additional comment.

## **Recommendations**

That Cabinet agrees and commends to Council:

- 1 The policy landscape and economic context in which the Council is setting its Medium Term Financial Strategy to 2026/27;
- 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 2022/23 to 2026/27 having regard to the Provisional Local Government Finance Settlement, three-year indicative Spending Review, key White Papers and associated funding announcements;
- 4 The key issues to be addressed in continuing to respond to the financial challenges facing the Council;
- 5 The proposed use of £6.000m of reserves to support the 2023/24 budget and £3.932m of reserves to support the 2024/25 budget; and
- 6 The revised estimated budget reduction targets of £16.711m for 2023/24, £8.117m for 2024/25, £8.384m for 2025/26, and £5.682m for 2026/27 after the use of reserves (as at recommendation 5) and the impact of budget reductions agreed for 2021/22 and 2022/23.

**Medium Term Financial Strategy 2022/23 to 2026/27****1 Background and Key Strategic Plans/ Developments impacting on the Council**

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 of Government Grants, Council Tax and Business Rates revenues that finance this planned expenditure. These plans form part of the Council's Medium Term Financial Strategy (MTFS). The MTFS also takes account of the Provisional Local Government Finance Settlement (PLGFS) published on 16 December 2021, the three-year Spending Review (SR21), key national policy announcements (including those set out in White Papers), associated funding announcements and the impact of the Administration's proposals for balancing the 2022/23 budget. The Final Local Government Finance Settlement is due very soon and once it is received the any implications for the MTFS will be assessed and financial projections amended as appropriate.

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. Having regard to the Revenue Budget Report for 2022/23, this report estimates the impact of the Council's proposed revenue spending / savings plans for 2022/23 together with the four years to 2026/27 including the key factors which will influence the future financial forecasts.

1.3 The MTFS is influenced by the following key documents highlighted in the paragraphs below.

The Oldham Plan

1.4 The Oldham Plan is the Oldham Partnership's plan for the borough and was endorsed by Council in July 2017. It is a collective action statement covering the period 2017-2022 and sets out the areas where the Oldham Partnership will add the most value as a partnership to achieve the ambition for Oldham to be a productive and co-operative place with healthy, aspirational, and sustainable communities.

1.5 A new Oldham Plan will be developed and then adopted by the Council and Partners in 2022, building on the priorities identified in the previous Council Corporate Plan and the latest approved COVID-19 Recovery Strategy. The new Oldham Plan will provide the opportunity to engage our residents, the Council and our partners in the public and private sector around a shared vision for the future of the borough. Combined with the Corporate Plan/ COVID-19 Recovery Strategy, it aims to set the future vision for the Council, and proactively plan for the key priorities and guiding principles for the years ahead.

1.6 The current Oldham Plan includes a delivery model that is based around three fundamental objectives 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 Council's Corporate Plan / COVID-19 Recovery Strategy

- 1.8 The Corporate Plan is the Council's key strategic document and outlines the Council's contribution to achieving the vision and outcomes detailed in the Oldham Plan, as well as priority areas of focus and delivery aimed at taking forward our vision of a co-operative future where everyone does their bit to create a confident and ambitious borough. All capital investment proposals will therefore be evaluated in accordance with a range of criteria, a key one of which is the contribution to the delivery of the aims of the Corporate Plan.
- 1.9 Oldham's Corporate Plan expired in December 2020. Work to refresh the Corporate Plan was initially expected to be completed by the summer 2020. However, the impact of the COVID-19 pandemic meant that this was no longer viable. Instead, the Council developed an interim COVID-19 Recovery Strategy which is subject to regular refresh and is a temporary Corporate Plan until at least April 2022. This was approved by Council at its meeting on 14 July 2021.
- 1.10 As a Co-operative Council, Oldham is committed to tackling the impact of COVID-19 and protecting the 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 impacted.
- 1.11 Building on the learning so far and the anticipated events to come, the COVID-19 Recovery Strategy and accompanying priorities have been developed, helping shape the approach and vision for Oldham. It sets out the six priority areas of focus for the Council as Oldham looks to recover from the pandemic:
- Driving equality
  - Investing in quality housing
  - Championing a green recovery
  - Creating and protecting jobs and supporting businesses
  - Prioritising education, skills and Early Years
  - Promoting health and wellbeing by supporting the most vulnerable.
- 1.12 A new Corporate Plan is currently under development and it is planned will be adopted in 2022/23, building on the priorities identified in the COVID-19 Recovery Strategy. The new Oldham Corporate Plan will provide the opportunity to engage our residents, the Council and partners in the public and private sector linking into the wider Oldham Plan around a shared vision for the future of the borough. It will support the delivery of key Council Objectives. The key Oldham Strategies to influence the next stage of the Corporate Plan are detailed in the following paragraphs.

#### Creating a Better Place Strategy

- 1.13 The Creating a Better Place strategy (initially approved December 2019/ January 2020) which was reviewed and updated in August 2020 places emphasis on regenerating the Borough by building homes for residents, creating new jobs through regeneration, enhancing the visitor experience in Oldham Town Centre and assisting economic recovery from the pandemic. It is also a key element of the Transformation Programme. A key dependency of this Strategy is the Housing Strategy which is consistent with the current draft of Places for Everyone (Greater Manchester's housing plan for all Districts excluding Stockport) enabling the Council to address the challenges identified in the Local Housing

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Needs Assessment. The revenue costs of the Creating a Better Place programme which it is anticipated will lead to future savings has been incorporated into the MTFS.

#### Working with Health Partners

- 1.14 The Health and Care Programme was adapted in September 2020 considering the Government White Paper “Working Together to Improve Health and Social Care for All” (2021). There is a programme of work planned to improve collaboration between the health sector and the adult social care sector at both a City Region and Locality Level. This includes the restructuring of the NHS which includes the creation of the Oldham Integrated Care System. The financial flexibility afforded by the pooling of resources, where appropriate, has been incorporated into the MTFS.

#### Building Back Better and People at the Heart of Social Care

- 1.15 In this financial year, the Government set out its vision for the long term funding of Adult Social Care in its White Paper “Building Back Better” which sets out how individuals will pay for their long-term care. It clearly impacts on the processes and procedures operated by the Council although the MTFS assumes that this will have a neutral impact with extra expenditure offset by additional resources. On 1 December 2021 the Government published a further White Paper “People at the Heart of Social Care” which set out a vision for how Adult Social Care would operate for the next 10 years with personal care/ choice as its central strand. This also set out some proposals to utilise the Adult Social Care Levy as set out in the Building Back Better White Paper. The implications for Oldham (and Local Government as a whole) can only be estimated as full details are yet to be made available.

#### COVID-19 Pandemic

- 1.16 In addition to the key policies of the Council the COVID-19 pandemic has had an impact on Service Delivery resulting in additional spending. During 2020/21 and 2021/22, the Government provided funding to support the additional costs of responding to COVID-19. The one-off additional support provided by Government will not be available in 2022/23 or future years but some compensatory funding has been incorporated into general Government grant allocations for 2022/23.

#### 2021 Three-Year Spending Review.

- 1.17 It is disappointing that the detailed one-year Local Government Finance Settlement did not give the three year certainty hoped for after the Budget and Spending Review was announced on 27 October 2021. It is perhaps not surprising with the Government emphasising stability in the one-year settlement whilst further work is undertaken on the longer-term position to support Authorities as part of the agenda set out in the Levelling Up the UK White Paper.
- 1.18 The Council has prepared its MTFS against this background and assumed no benefit from a revision to Government general grant funding allocations in the financial years 2023/24 and 2024/25 although given the level of deprivation in the Borough, Oldham could receive further additional funding.

#### Levelling Up the United Kingdom White Paper

- 1.19 On 2 February 2022 the Government issued its White Paper setting out its aspiration for Levelling Up the United Kingdom. This outlined the support already provided for certain initiatives such as the Towns Fund and highlighted some future intentions. Six key drivers for change are identified and these are detailed below:

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- Physical capital – infrastructure, machines and housing.
  - Human capital – the skills, health and experience of the workforce.
  - Intangible capital – innovation, ideas and patents.
  - Financial capital – resources supporting the financing of companies.
  - Social capital – the strength of communities, relationships and trust.
  - Institutional capital – local leadership, capacity and capability.

1.20 The White Paper sets out that the new policy regime will be based upon five mutually reinforcing pillars as detailed below:

- Pillar 1 is the UK Government setting clear and ambitious medium-term missions.
- Pillar 2 is that Central Government decision-making will be fundamentally reorientated to align policies with the levelling up agenda.
- Pillar 3 is the UK Government empowering decision-makers in local areas.
- Pillar 4 is the UK Government transforming its approach to data and evaluation to improve local decision-making.
- Pillar 5 is the UK Government creating a new regime to oversee its levelling up mission including a statutory duty to publish an annual report outlining progress.

1.21 These medium-term missions are defined via the following focus area:

- Living Standards
- Research and Development
- Transport Infrastructures
- Digital Connectivity
- Education
- Skills
- Health
- Well-being
- Pride in Place
- Housing
- Crime
- Local Leadership

1.22 These issues have been incorporated into the presentation of the MTFS later in the report.

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## 2 Medium Term Financial Strategy (MTFS)

2.1 The purpose of the Oldham 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 Oldham Plan.”**

2.2 The MTFS is an assessment of the Council’s current financial position and a determination of the financial position the Council wishes to be in over the medium term. This report has been prepared over a five-year timeframe 2022/23 to 2026/27. This is a longer financial planning period than the MTFS presented in 2021/22, where it was considered that forecasting beyond 2023/24 would be extremely challenging due to the uncertainty caused by COVID-19, the one-year Settlement information provided by Government and the lack of clarity about future Government funding intentions. Given the Government has now published a three-year financial settlement for Local Government (indicative for years two and three) the past practice of preparing financial projections for a five year period has now been re-adopted so the MTFS timeframe once again aligns with the Capital Programme and the Housing Revenue Account (HRA) budget both of which had retained the five year forecasting period.

2.3 The MTFS has been developed using the latest information together with a range of assumptions and estimates.

2.4 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 to efficiently manage its finances.

2.5 The MTFS considers:

- Relevant political and economic influences on Oldham Council;
- Local factors which influence policy within the Council including the Administration’s priorities as set out in the Oldham Plan;
- The impact of Government policy and associated announcements including White Papers; and
- Key Council policy initiatives including the Council’s Transformation Programme, the longer term response to COVID-19 and the Corporate Plan.

2.6 There is a considerable degree of estimation in presenting a Medium Term Financial Strategy over a five year period. The impact of COVID-19 is still very unclear in terms of the longer-term financial consequences for the Council together with the wider impact on the economy of the country. Whilst the Provisional Local Government Finance Settlement provided clarity on the resources available for 2022/23 and the Spending Review gave an indication of resources for 2023/24 and 2024/25, projections for 2025/26 and 2026/27 are based on a series of assumptions.

2.7 In addition to the COVID-19 related issues, the Council must also plan for inflationary pressures, demographic changes, demand pressures and radical service changes such as those set out in the Building Back Better / People at the Heart of Social Care/ Levelling Up the UK White Papers. The need for continued transformation in service delivery is therefore essential. Councils such as Oldham with high relative needs (deprivation) and a small Tax Base (relative to expenditure) will continue to be heavily reliant on Central Government for a significant proportion of their funding even with the stated Government policy of Levelling Up. However, the quantum of that funding remains to be determined beyond 2024/25.

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- 2.8 In addition to the determination of the overall level of resources available for the whole Local Government Sector, significant changes are expected which will impact on future funding streams (covered in more detail in Sections 4 and 5 of this report) and include:
- 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 implementation of the reform of Adult Social Care as set out in the Building Back Better White Paper and The People at the Heart of Social Care White Paper;
  - The taking forward of initiatives outlined in the recent Levelling Up the UK White Paper;
  - The end of the Greater Manchester 100% Business Rates retention pilot scheme at a date to be announced in the future; and
  - Business Rates revaluation affecting the amount of Business Rates paid by the occupiers of commercial premises. This will impact on the financial year 2023/24 with the initial revaluation based on Rateable Values as of 1 April 2021.
- 2.9 The impact of these changes could be potentially significant to the Council. With the limited information available, the MTFS currently assesses these as collectively neutral.
- 2.10 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 2021/22;
  - The 2022/ 23 Annual Budget Report;
  - Strategic Housing Revenue Account (HRA) estimates detailing financial forecasts for the medium term as well as setting the 2022/23 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 2026/27;
  - 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 2022/23 which proposes no change compared to the 2021/22 scheme; and
  - The Statement of the Chief Finance Officer on Reserves, Robustness of Estimates and Affordability and Prudence of Capital Investments.
- 2.11 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 have revenue budget implications in terms of operating, maintenance or debt servicing costs and the achievement of future efficiencies. Similarly, capital investment financed by borrowing carries implications for Treasury Management as well as implications for the revenue budget.
- 2.12 This report revises the MTFS estimates for the period 2023/24 to 2026/27 based on local and national information including the Provisional Local Government Finance Settlement (PLGFS) published on 16 December 2021 and the three-year Spending Review of October 2021. The Final Settlement is due very soon and once it is received the any implications for the MTFS will be assessed and financial projections amended as appropriate.

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### 3 Economic Context surrounding the MTFS

- 3.1 A major influence when considering the MTFS is the economic context. This section presents key factors within the Economic Context which have framed the MTFS.
- 3.2 The coronavirus outbreak has done huge economic damage to the UK and economies around the world. After the Bank of England took emergency action in March 2020 to cut Bank Rate to 0.10%, it left Bank Rate unchanged at its subsequent meetings until raising it to 0.25% at its meeting on 16 December 2021 and then to 0.50% at its meeting on 3 February 2022.
- 3.3 At the Monetary Policy Committee (MPC) meeting on 16 December 2021, the members voted 8-1 to raise Bank Rate by 0.15% from 0.10% to 0.25% and unanimously decided to make no changes to its programme of quantitative easing purchases which was due to finish in December 2021 at a total of £895bn.
- 3.4 The MPC was concerned that inflationary pressures are building and need concerted action to counter the trend. This indicates that there will be more Bank Rate increases to come with financial markets predicting 1.25% by the end of 2022.
- 3.5 The MPC did comment that “the Omicron variant is likely to weigh on near-term activity” and the MPC materially reappraised the inflationary pressures between the November and December meetings with the Bank increasing its forecast for inflation to peak at 6% April 2022.
- 3.6 At the MPC meeting on 3 February 2022, the members voted 5 to 4 to increase the Bank Rate to 0.5%, with those voting against only doing so as they considered a higher increase should be introduced.
- 3.7 A summary overview of the future path of the Bank Rate is detailed below:
- In December 2021, the Bank of England became the first major western central bank to put interest rates up in this upswing in the current business cycle in western economies as recovery progresses from the Covid recession of 2020.
  - The December 2021 MPC meeting was more concerned with combating inflation over the medium term than supporting economic growth in the short term.
  - Bank Rate increases during 2022 are difficult to forecast as inflation may drop sharply in the second half of 2022.
  - However, the MPC will want to normalise Bank Rate over the next three years so that it has its main monetary policy tool ready to use in time for the next down turn; all rates under 2% are providing stimulus to economic growth.
  - COVID remains a major potential downside threat as it remains highly likely that there will be further variants.
  - Purchases of gilts under QE ended in December 2021.
  - At the MPC meeting on 3 February 2022, the MPC raised the bank rate to 0.50%.
  - The Committee updated its central projections and based on a market-implied path for the Bank Rate, it forecast it could rise to around 1.5% by the middle of 2023.
  - At the meeting in February 2022, the MPC revised its inflation forecast and it is now expected to peak at 7.25% in April 2022 rather than 6%. The Committee also voted unanimously for the Bank of England to begin to reduce the stock of UK Government Bond purchases by ceasing to reinvest maturing assets.
  - The Council’s Treasury Advisors, the Link Group, has factored in further three bank rate rises by the end of 2022. This would result in a rate of 1.25% by the end of 2022, increasing to 1.5%. However, the actual timing of the increase is difficult to predict.

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- 3.8 The impact of COVID-19 vaccines was the game changer during 2021 which raised hopes that life in the UK would be able to largely return to normal in the second half of the year. However, the Omicron variant which emerged at the end of November 2021 raised the threat that a fourth wave of the virus could overwhelm hospitals in early 2022. Recent events indicate the impact of the variant is not as severe as originally thought so restrictions have been eased.
- 3.9 Rather than go for full lockdowns which heavily damage the economy, the Government's current strategy, is focusing on getting as many people as possible to have a third (booster) vaccination. The booster has been shown to restore a high percentage of immunity to Omicron to those who have had two vaccinations.
- 3.10 However, the biggest impact on growth would come from another lockdown. The big question remains as to whether any further variants of this virus could develop which render all current vaccines ineffective, as opposed to how quickly vaccines can be modified to deal with them and enhanced testing programmes be implemented to contain their spread until tweaked vaccines become widely available.
- 3.11 A more detailed national and international economic commentary is provided within the Treasury Management Strategy report (elsewhere on the agenda).

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## 4 Provisional Local Government Finance Settlement (PLGFS)

4.1 The 2022/23 PLGFS was released on 16 December 2021 via a written statement to Parliament by the Secretary of State for Levelling Up, Housing and Communities, the Rt. Hon Michael Gove MP, and set out the Government's formal proposals for the funding of English Local Authorities in 2022/23. The PLGFS covered the 2022/23 financial year only and is the first allocation of the three-year funding referred to in the Three Year Spending Review detailed in Section 5 of this report.

4.2 This is the fourth consecutive one-year Local Government Finance Settlement. The emphasis is on providing stability to the overall Government sector, through rolling forward key elements of the 2021/22 settlement alongside extra cash for priority areas such as social care. However, it did include key funding information for Local Authorities in relation to:

- The Settlement Funding Assessment which included a potential additional spend of £3.5bn over the 2021/22 Settlement;
- The proposed distribution in 2022/23 of the £1.6bn additional funding announced at the Spending Review as follows:
  - a) £0.8bn for a 2022/23 Services Grant, distributed using the 2013/14 Settlement Assessment formulae. The Settlement highlights that this is a one-off grant and will not be taken into consideration for transitional support when future changes are made.
  - b) £0.7bn for Social Care, with additional Social Care Grant (£0.6bn, distributed using the Adult Social Care Relative Needs Formulae, with equalisation for the impact of the 1% Adult Social Care Precept) and an inflationary increase for the Improved Better Care Fund.
  - c) £0.1bn to provide an inflationary increase to Revenue Support Grant.
- Funding of £162m (notified as the Market Sustainability and Fair Cost of Care Fund) allocated to Local Authorities from the income being raised by the National Health and Social Care Levy enabling Councils to begin the work on the Adult Social Care reforms;
- No separate identification of funding for the costs of the increase in National Insurance contributions to be paid by Authorities (the funding for this is assumed to be included in the new 2022/23 Services Grant);
- New Homes Bonus Grant, which continues for the financial year 2022/23 with a further additional payment of £333m grant on top of the legacy payment of £221m;
- Compensation for under-indexing the multiplier on Domestic Rates based upon the Consumer Price Index (CPI). It is important to note that the final settlement will use the Retail Price Index (RPI) (which will result in about £375m of additional funding for Local Government);
- Additional funding (Authority allocations not yet announced) for Cyber Resilience, the increased costs of external audit and Supporting Troubled Families; and
- The Greater Manchester Business Rate Pilot, which will continue for 2022/23.

4.3 On the same day the Minister responsible for Schools the Rt. Hon Robin Walker announced the funding settlement for Schools. This set out that school budgets would receive an additional £4bn in 2022/23. This includes an extra £1bn for pupils with Special Educational Needs and Disabilities (SEND) which represents a 13% increase for the financial year 2022/23. In total £41.7bn is available to support mainstream schools. High Needs funding will total £9.1bn and Early Years will total £3.6bn for 2022/23. For Oldham resulted in extra resources which is supporting returning the Dedicated Schools Grant to balance in the financial year 2023/24.

4.4 The initial analysis of the PLGFS indicates that it has attempted to do three things:

- Provide financial stability, with several key grants including the New Homes Bonus continuing. There are 20 to 30 Local Authorities in discussion with the Department of Levelling Up, Housing and Communities about their long term financial sustainability. Recent events have seen two Local Authorities issue Section 114 notices highlighting extreme financial pressures and a number have had to approach the Department for capitalisation directions to assist them in balancing their budgets;
- Recognise the financial pressures around Social Care (Adults and Children's) with additional resources of £1bn funded from both grant and additional anticipated Council Tax rises; and
- The beginning of the Department allocating resources in accordance with its objective of levelling up. This is highlighted by the creation of a one-off Services Grant with an allocation methodology which distributes grant with a greater emphasis on deprivation together with the Social Care Grant including equalisation for those Authorities such as Oldham who have a lower Council Tax Base.

4.5 The PLGFS confirms the continued importance of increases to Council Tax in continuing to underpin the financial sustainability of Local Government finance. The Government expects all Councils to increase Council Tax by the maximum level and on this basis the funding available for services is £2.9bn of which £1.4bn is expected to come from Council Tax.

4.6 The amount of grant allocated to Oldham in the Settlement or anticipated based on best information available is detailed in the table below:

	2022/23 £000
<b>Government Grant</b>	
Business Rates Top Up	(42,439)
Improved Better Care Fund Grant	(11,187)
Social Care Support Grant	(12,132)
Lower Tier Services Support Grant	(428)
Independent Living Fund (ILF) Grant	(2,580)
Housing Benefit Administration Grant	(824)
Council Tax Administration Grant	(371)
New Homes Bonus Grant	(562)
2022/23 Services Grant	(4,467)
Market Sustainability and Fair Cost of Care Fund	(758)
Revenues and Benefits - New Burdens Grant	(13)
<b>Total Government Grant Funding</b>	<b>(75,761)</b>

4.7 One positive from the Settlement if the analysis in paragraph 4.4 is correct, will be that further work is undertaken on Levelling Up in 2022 following the recent publication of the White Paper and it is anticipated this has the potential to benefit an Authority like Oldham in the next two years. The Service Grant is only for one year and New Homes Bonus is either in its final year or residual legacy payments are unlikely to continue in 2023/24 which will give some flexibility for a redistribution of grant linked into deprivation factors and levelling up.

4.8 There remain some funds in the PLGFS which are currently unallocated. It is hoped in the Final Settlement (expected very soon) that the Council will see a small increase over the notifications as currently set out in the PLGFS.

4.9 The Government issued specific consultation questions in relation to the Settlement with a deadline for responses of 13 January 2022. The Council submitted a response before the notified deadline.

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## 5 Three Year Spending Review

- 5.1 The three-year Spending Review and Annual Budget was delivered on 27 October 2021 by the Chancellor of the Exchequer, the Rt Hon Rishi Sunak MP. The Spending Review (SR21) covered the period 2022/23 to 2024/25.
- 5.2 A range of the investments outlined in the SR21 documentation are badged as part of the “Levelling Up” Agenda. It was the intention of the Government as of 27 October 2021 to publish a Levelling Up White Paper by the end of the calendar year 2021. This was delayed until 2 February 2022 and gives no certainty on future long term funding. Alongside SR21, the allocation of £1.7bn of the first round of Levelling Up funding subject to Local Authorities submitting a bid was announced. Due to the timing of the first bidding round, Oldham did not submit a bid.
- 5.3 A key principle underpinning SR21 was the Government’s fiscal rule which is guided by the mandate set out below:
- To have public sector net debt (excluding the Bank of England) as a percentage of GDP falling by the third year of the rolling forecast period.
- This is supplemented by a target to:
- Balance the current budget by the third year of the rolling forecast period;
  - Ensure that public sector net investment does not exceed 3% of GDP on average over the rolling forecast period; and
  - Ensure that expenditure on welfare is contained within a predetermined cap and margin set by the Treasury.
- 5.4 SR21 highlighted, pre the Omicron variant of COVID-19, that the economic recovery was underway and confirmed that total departmental spending was projected to grow in real terms at 3.8% a year, on average, over the life of the Parliament.
- 5.5 The key messages from SR 21 are set out in the following paragraphs and these influence assumptions in the MTFS. However, given the general lack of detail, in particular with regard to individual Authority allocations, the timing of the grants, the ringfenced nature of most of the grants (which dictates how and when they can be used), in most instances no assessment has been made of the impact of the potential additional funding/policy initiatives.

### Coronavirus Support

- £9.6 bn funding over the SR21 period for COVID-19 related health spending so that the NHS can continue to respond to and mitigate the risks of the virus. This is in addition to the £8bn already announced for a major catch up programme that will help the NHS to provide elective care that was delayed by the pandemic. This will be supported by £5.9bn capital investment for the NHS to tackle the backlog of non-emergency procedures and modernise digital technology.
- A new package of £1.8bn over the SR21 period that is directly targeting education recovery. This includes a £1bn Recovery Premium for the next two academic years for schools.
- £324m in 2024/25 for additional learning hours for 16–19-year-olds.
- £500m over the next three years for the Criminal Justice Systems recovery from COVID-19, including reducing court backlogs and increasing the number of cases dealt with by the courts.

However, there was no specific additional funding for COVID-19 recovery for Local Government.

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## Health and Social Care

- £13bn per year for spending on health and social care across the UK. This will be funded via the new Health and Social Care Levy payable by employers and employees. Of this resource:
  - £3.6bn will be passed to Local Government over the SR21 period to implement the cap on personal care costs and changes to the means test. It is also expected that this funding will assist Local Authorities to better sustain their local care markets by moving towards a fairer cost of care. This is likely to be implemented from 2023/24.
  - £1.7bn will be allocated over three years to improve the wider care system including the quality and integration of care. At least £500m of this funding will be allocated to improve qualifications, skills, and wellbeing across the adult social care workforce.

There was also to be additional funding through the Local Government Finance Settlement (amount not specified) to assist Local Authorities to meet core pressures in adult social care.

## Education

- £4.7bn by 2024/25 for the core schools' budget in England over and above the Spending Review 2019 settlement in 2022/23. Appendix 1 of the 2022/23 Revenue Budget report sets out the impact of this extra funding on the Oldham Dedicated Schools Grant.
- A commitment to increase teacher starting salaries to £30,000 per annum.
- Long term school rebuilding programme to rebuild 500 schools over the next decade.
- £2.6bn over the Spending Review period for new school places for children with Special Educational Needs and Disabilities (SEND).

## Early Years

- £170m by 2024/25 to increase the hourly rate to be paid to early years providers to deliver the Government's free hours offers.
- £18m in 2024/25 to create a network of family hubs to improve access to services for families, and £20m in 2024/25 for parenting support.
- £150m over the SR21 period was reaffirmed for training of early years staff to support children's learning and development.

## Children's Social Care

- Over £200m a year for the continuation of the holiday activities and food programme, providing enriching activities and healthy meals for disadvantaged children during school holidays.
- £104m by 2024/25 for reforms to unregulated Children's Social Care.
- £7m by 2024/25 to improve access to services and support for adopted children and their families.
- £259m over the Spending Review period to maintain capacity in secure and open residential children's homes.

## Housing

- A further £1.8bn to meet the Government's commitment to £10bn investment in housing.
- Reconfirmation of £11.5bn through the Affordable Homes Programme (2021/26), where £7.5bn is over the Spending Review period.
- £5bn for the remediation of unsafe cladding on the highest risk buildings.
- £639m by 2024/25 to end Rough Sleeping.

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### Local Government Specifically

- An estimated average increase in spending power of 3%.
- English Councils will receive £1.6bn in total of grant funding in 2022/23 to 2024/25 as additional funding on top of that to implement social care reform. This includes an additional £200m for the Supporting Families Programme.
- The Public Health Grant will be maintained in real terms over the Spending Review period.
- Continuing the £100m investment per year to help people achieve and maintain a healthy weight.
- £37.8m of additional funding over the SR21 period to invest in Local Authority cyber resilience.
- £34.5m over the period to improve local delivery and transparency. This funding will develop the Audit Reporting and Governance Authority.
- £65m investment to improve the planning regime through a new digital system.
- Funding for free food waste collections in every English Local Authority from 2025.
- The continuation of the Safer Streets Fund
- An additional £66m by 2024/25 for the Start Life offer for families.
- £500m investment over SR21 to fund a network of family hubs. It will also expand the Supporting Families programme.

### Taxation and Wages

- The National Living Wage is to be increased as follows from April 2022. This is clearly important in the context of the cost of the supply of goods and services, particularly Adult Social Care.

Age	April 2021 £	April 2022 £	Increase %
23 years and over	8.91	9.50	6.6
21 to 22 years old	8.36	9.18	9.8
18 to 20 years old	6.56	6.83	4.1
16 to 17 years old	4.62	4.81	4.1
Apprentices	4.30	4.81	11.9

- Public sector workers pay will increase over the period of SR21.

### Transport

- An investment package of £5.7bn for eight city regions. This includes £1bn to Greater Manchester for schemes such as the next generation tram-train vehicles.
- Investment in cycling, for hundreds of miles of high-quality cycle lanes across England, provide bike training for every child, and a new e-bike support programme.
- Over £3bn of bus investment across the Parliament, including a new dedicated commitment of £1.2bn for bus transformation deals in England, to deliver London-style services, fares, and infrastructure improvements.
- £355m new funding for zero emission buses.
- £24bn invested between 2020/21 and 2024/25 (a longer period than SR21) in strategic roads.
- Over £8bn to fix potholes, resurface roads, repair bridges and 50 local road updates.

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## UK Shared Prosperity Fund (UKSPF)

- The UKSPF is worth over £2.6bn over the next three years. It is the successor to the EU Structural Fund programme and is to be targeted at local needs across the UK. This fund will increase to £1.5bn by 2024/25. A further announcement will be made on the UKSPF as this is a key strand of the Levelling Up agenda as set out in the recent White Paper.

## Skills

- £68m by 2024/25 to level up the adult skills system.
- Confirming £1.5bn capital investment for Further Education College improvements.
- Launching the £560m Multiply programme as part of the UKSPF.
- Confirming funding to open 20 Institutes of Technology throughout England.
- Increasing apprenticeships funding to £2.7bn by 2024/25 and funding 95% of the apprenticeship training costs for smaller employers who do not pay the Apprenticeship Levy.

## Green Agenda

There were several commitments to taking forward the green/ net zero agenda. In SR21 whilst there were high level pledges for investment there was no specific detail. Since the SR21 publication there have been several grants offered via a bidding scheme mainly capital in nature. Going forward it is likely that funding will be subject to the Council having to submit competitive bids.

## Council Tax

The referendum threshold for increases in Council Tax for general purposes was to remain at 2% per annum.

5.6 A separate report was published alongside SR21 entitled Business Rates Review: Final Report. Its findings were interwoven within the SR21 document. Key issues are:

- The Business Rates multiplier is frozen in 2022/23 keeping the multipliers at 49.9p for small businesses and 51.2p for all other ratepayers.
- A new one-year Retail, Hospitality and Leisure Business Rates Relief for 2022/23. Eligible properties will receive 50% relief up to a cap of £110,000 per business.
- The existing Small Business Rate Relief system will be unchanged.
- More frequent revaluations - every three years from 2023 (previously every 5 years).
- From 2023 a new Business Rates Relief will support investment in property improvements with no business incurring higher Business Rates costs for 12 months after making qualifying improvements to their property. This will be reviewed in 2028.
- From 1 April 2023 until March 2035 there will be targeted Business Rate exemptions for eligible plant and machinery used in onsite renewable energy generation and storage and a 100% relief for eligible heat networks to support the decarbonisation of non-domestic buildings.
- In the event of a business rates revaluation for a specific business, the expansion of transitional relief for small and medium sized businesses.

5.7 The Provisional Settlement detailed in Section 4 of this report was the first of the three financial years detailed in SR21 and as can be seen, many of the issues outlined have translated into additional resources for the Council. It is hoped that going forward in 2023/24 and 2024/25 there will be further levelling up by the Government. As this cannot be guaranteed, the assumptions in the MTFs from 2023/24 to 2024/25 are that Government funding will largely remain at the level notified in the PLGFS for 2022/23.

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## 6 Policy and Service Developments

6.1 An important influence on the MTFs is the Council's key policies and service developments. These are outlined in this section of the report.

### Creating a Better Place

6.2 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 Public Works Loan Board (PWLb) lending terms to discourage Local Authority commercial investment solely for income generation purposes.

6.3 The programme was reviewed to ensure that priorities were correct and that the projects supported economic recovery (post-COVID-19). Cabinet approved a revised vision for Creating a Better Place on 24 August 2020. The revised strategy still included creating 2,400 (previously 2,000) new homes, 1,000 new jobs and 100+ new apprenticeships.

6.4 Key themes within the Creating a Better Place Strategy include:

- School's 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 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.

6.5 The Creating a Better Place programme incorporates £256.738m of schemes with £237.364m of schemes over the period 2022/23 to 2026/27. The revised programme is already forecast to achieve cumulative revenue savings of £8.216m per annum from 2025/26 as reflected in budget reduction proposals.

### #TeamOldham Workforce Strategy

6.6 The #TeamOldham Workforce Strategy has now been developed and endorsed by all #TeamOldham organisations including the Council, Oldham CCG, the Unity Partnership Ltd and MioCare. The Strategy focuses around three 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

6.7 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

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partners to deliver the places needed. When seeking to manage the demand and supply of school places, Oldham Council considers 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.

### Oldham Learning

- 6.8 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 was launched 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

- 6.9 On 7 December 2020, Oldham's new three-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.

### Green New Deal Strategy

- 6.10 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 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 now supported by Towns Fund Grant 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.
- 6.11 Achieving these targets will necessitate the alignment of the Council's Capital Programme with the decarbonisation agenda. This will mean addressing new building projects and routine maintenance through the lens of whole-life business cases considering the future costs and carbon implications of energy use. Policy and regulatory revisions at national level will change the cost balance between mains gas and electricity, making the former expensive in relative terms, to reflect the higher carbon content of gas as a fuel. This means that future switching to electrical heating will become business as usual with current revenue budgets augmenting capital resources to facilitate this change. The Council has recently submitted competitive bids to a range of grant funders for low carbon projects, including Public Sector Decarbonisation Fund (for renewable electricity and heat projects on Council assets). The outcome of these bids is currently unknown.

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6.12 The social value of Capital projects will be captured for Oldham's Green Technology and Service Sector via a Social Value Portal which contains a range of Themes, Outcomes and Measures (TOMs) supporting the creation of local jobs and training opportunities as well as Green New Deal outcomes such as carbon emissions reduction and improvement of greenspace in the borough.

6.13 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.

#### ICT Strategy

6.14 The Council's ICT strategy is linked into digital transformation to deliver improvements and savings. It focuses on six key investment themes linked to the Council's transformation agenda. These are:

- Digital and Technology Foundations – implementing technology to safely and securely move the Council's legacy systems to the MsAzure environment.
- Line of Business Systems – the upgrade and re-platforming of key business systems.
- Business Support, HR/OD Foundations – automating workforce management systems.
- Workforce Collaboration and Productivity – allowing staff on-line access from the most suitable place and upgrading systems to improve productivity.
- Customer Experience – improving digital service provision for customers.
- Business Insight Performance, Strategy and Policy Foundations – improving access to and usage of data to improve service delivery.

#### Information Management

6.15 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.

#### The Unity Partnership Ltd.

6.16 Currently, a number of Council services, including Revenues and Benefits, Payroll and ICT are provided by the Unity Partnership Ltd, one of the Councils wholly owned companies. During 2021, a review of the operation of Unity was undertaken to determine the viability of the company, confirm whether it was fit for purpose in terms of service delivery and value for money for Oldham residents and that the ambitions of the company aligned to those of the Administration. On 24 January 2022, Cabinet considered a report which set out the findings of the review and agreed recommendation to transfer back to the Council all services provided by Unity but to retain the company for a minimum period of 12 months to enable the Council to consider its delivery vehicle for Traded Services. The aim of this development is to generate efficiencies and improve effectiveness across Council services. It will enable greater transformational change and support the budget reduction process.

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## 7 Financial Operating Context

- 7.1 The Financial Operating Context is important when considering the financial planning arrangements of the Council and the rules and regulations that must be observed.

### *Constitution and Rules of Procedure*

- 7.2 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 legally required. 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 MTFs.

### *Budget and Policy Framework Procedure Rules*

- 7.3 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 MTFs report, if approved by Council, forms a key element of the Council's Budget and Policy Framework.

### *Financial Procedure Rules*

- 7.4 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 plan for the proper administration of its financial affairs.

### *Capital Strategy*

- 7.5 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' Strategy. The Capital Strategy has been prepared to take account of the ambition for the borough including major regeneration developments within the Town Centre and borough-wide, to ensure that new school buildings and extensions are delivered as well as ensuring that the highways network and the corporate estate are adequately maintained.

- 7.6 The proposed Capital Strategy and Programme for 2022/23 to 2026/27 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*

- 7.7 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

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provides a framework for the effective control of risks associated with these activities, and the pursuit of optimum performance consistent with those risks.

- 7.8 The Treasury Management Strategy for 2022/23 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.
- 7.9 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*

- 7.10 On 16 December 2019 Cabinet approved an updated Income Strategy for the Council. The strategy details the approach that the Council will take regarding 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.
- 7.11 The strategy also considers:
- Investment Opportunities;
  - Opportunities relating to traded services and other chargeable activities; and
  - The process for setting charges and collection efficiency.
- 7.12 The approval of this policy formalised the approach to income activities and has been a key element in framing the budget setting process for 2022/23 and future financial years.

#### *Collection Fund*

- 7.13 The Collection Fund is a ringfenced account in which Council Tax and Business Rates income is managed. The account can be in surplus or deficit depending on assumptions that have been made about the level of Council Tax and Business Rates that have be drawn from the account in the form of a precept. If the Collection Fund is in a surplus position, the surplus can be used to support the revenue budget. However, deficits must be carefully managed and if necessary, charged to the revenue budget, thus impacting on the resources available to support Council business. The impact of the Collection Fund, Council Tax and Business Rates income for 2022/23 is highlighted in the Revenue Budget Report.

#### *Housing Revenue Account*

- 7.14 The Housing Revenue Account is a ringfenced account. A report (elsewhere on the agenda) sets out the Housing Revenue Account Estimates for 2022/23 to 2026/27 and Proposed Outturn for 2021/22. The report also sets out the recommended dwelling and non-dwelling rents and service charge increases to be applied from April 2022. The report is a key element of the Council's overall Medium-Term Financial Strategy.

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### *Local Taxation and Benefits Discretionary Policies*

- 7.15 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*

- 7.16 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 8 of this report and an updated forecast of the Council reserves position is presented at paragraph 11.44.

### *Counter Fraud and Corruption*

- 7.17 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*

- 7.18 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 and refreshed under delegation during the summer 2021. 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.
- 7.19 All budget proposal documentation contains a section on key risks and mitigations.

### Other Policies and Strategies

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

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## 8 Local Government Finance Developments and Financial Resilience

- 8.1 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.

### Possible Future Reform to Local Government Finance

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

- 8.2 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 subsequently deferred again. Surprisingly, there was no mention of this review in SR21, but it is assumed that this will be incorporated within the Levelling Up programme. It will be difficult to deliver Levelling Up without reviewing the current resource allocation methodology for local government.

#### New Homes Bonus

- 8.3 One unanticipated outcome of the Local Government Finance Settlement for 2022/23 was the continuation of the New Homes Bonus element of support for a further financial year. It is possible that for the financial year 2023/24, this financial support maybe discontinued, or the present legacy payments will discontinue and that in future, New Homes Bonus funding will be included in the Levelling Up programme.

#### 2022/23 Services Grant

- 8.4 This is a one-year grant from the Local Government Finance Settlement for 2022/23 and the method of distribution has been designed to begin the process of reform of the Local Government Finance System. It is hoped the Government will continue the process of Levelling Up (although this is not guaranteed) which should assist the longer-term financial resilience of areas such as Oldham. It is likely that the Services Grant will be renamed and included within the Levelling Up programme and the distribution revised for 2023/24. However, given the lack of information, no change to the allocation of resources has been anticipated.

#### Business Rates Reform and Revaluation

- 8.5 The Business Rates system is likely to change significantly in the medium term. The Government, after undertaking a review of Business Rates tax itself which included views from Councils administering the system, is proposing some changes. This includes implementing a Business Rates revaluation every three years rather than every five. The planned revaluation implemented from 1 April 2023 (based on April 2021 values) will affect the amount of Business Rates paid by the occupiers of commercial premises and therefore the amount collectable by the Council. It could result in Business Rates gains and losses being redistributed across all Local Authorities.
- 8.6 The Secretary of State has announced that previous plans to move to 75% Business Rates retention nationally (currently 50%) will not now go ahead. One area of continued uncertainty (initially confirmed in SR21) is whether the Greater Manchester 100% Business Rates retention pilot scheme continues after the financial year 2022/23 for another two financial years.

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- 8.7 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 as further detail emerges, however, no major adjustments to funding have been assumed, albeit that the balance of resources received from Business Rates and Government Grant will be revised.

#### Levelling Up the United Kingdom

- 8.8 The Levelling Up the United Kingdom White Paper was produced on 2 February 2022. The aim is to end geographical inequality which is a current feature of the UK. It aims to improve economic dynamism and innovation to drive growth across the whole country. Areas such as Oldham that have been disproportionately impacted by the decline in traditional industries should benefit from the potential support so it can share equally in the future success of the country.
- 8.9 The White Paper outlined a significant number of initiatives including confirmation of resources for programmes such as the Towns Fund and the UK Prosperity Fund. It also advised that Oldham would be one of fifty-five Education Investment Areas which will receive additional resources to improve educational attainment. Further detailed Levelling Up information will be received over the coming months which will advise of the financial implications for Oldham.

#### Standards of Financial Administration

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

- 8.10 On 15 March 2019, CIPFA published a consultation on its proposed Financial Management Code that would support its Financial Resilience Index. This consultation concluded on 30 April 2019 with the formal Financial Management Code being published in October 2019. The objectives of this Code are “to support good practice in financial management and to assist Local Authorities in demonstrating their financial sustainability”.
- 8.11 The Code is based upon a series of principles which will be supported by specific standards of practice which CIPFA consider necessary for a strong foundation. The foundation being the ability to:
- Financially manage the short, medium, and long-term finances of a Local Authority;
  - Manage financial resilience to meet foreseen demands on services;
  - Financially manage unexpected shocks in their financial circumstances.
- 8.12 The Financial Management Code builds on the success of the CIPFA Prudential Code which requires Local Authorities to demonstrate the long-term financial sustainability of their capital expenditure. The Code is also consistent in that it is based upon principles rather than prescriptions and each Local Authority must demonstrate that they meet the requirements of this Code.
- 8.13 Pre COVID-19, 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 (deferred in part due to the pandemic) and as such concluded that a shadow year would be in place for 2020/21 with Local Authorities being expected to be fully compliant from 2021/22.
- 8.14 The detailed guidance notes were issued in the financial year 2020/21 and the Finance Service has undertaken work throughout 2021/22 to ensure its compliance with this Code. This was reported by the Director of Finance to the Audit Committee on 17 January 2022

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with the summary that the Council has complied with the Code in the financial year 2021/22. Several improvements were recommended, and these will be implemented in the last quarter of the financial year 2021/22 and throughout 2022/23.

#### Resilience of Local Government

- 8.15 In total it is understood that up to 30 Authorities are in discussions with the Department of Levelling Up, Communities and Housing about their future financial sustainability. There have been two Section 114 Notices issued over the past year (Croydon and Slough) and both Authorities are dependent upon the Government agreeing ongoing financial support via capitalisation directions over a few financial years. The amount needed to support Slough has been reported as £270m.
- 8.16 Also, at the end of the financial year 2020/21 the Authorities detailed below required support either in the form of a capitalisation direction or a grant:
- Wirral
  - Nottingham
  - Copeland
  - London Borough of Bexley
  - Redcar and Cleveland
  - Peterborough
  - Luton
  - Eastbourne

Nottingham City Council has also issued a Section 114 notice in the financial year 2021/22. This is not linked into their financial resilience but relates to inappropriate accounting between the Housing Revenue Account and the General Fund.

- 8.17 Whilst these are the ten Authorities named in the public domain 20 to 30 further authorities (not identified in the public domain) appear to be in discussions about financial sustainability indicating a sector under significant financial pressure. Interestingly, three Authorities who previously anticipated support in the financial year 2021/22 (London Borough of Bexley, Wirral, and Peterborough) are indicating their financial resilience has recently significantly improved so they are likely to require less Government support via a future capitalisation direction or grant.

#### Financial Resilience of Oldham Council

- 8.18 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.
- 8.19 There have been several reports issued about 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 (most recently issued on 28 January 2022 which showed no major areas of concern for the Council) and the implementation of a Financial Management Code.

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- 8.20 In this regard it is important to note that the Council received the Auditors Annual Report on the financial year 2020/21 from the External Auditor on 17 December 2021. This included commentary on the audit of the financial statements as well an opinion on the Council's VFM arrangements. New requirements were introduced for the 2020/21 accounts which requires the demonstration of:
- Financial Sustainability - How the Council plans and manages its resources to ensure it can continue to deliver its services.
  - Governance - How the Council ensures that it makes informed decisions and properly manages its risks.
  - Improving economy, efficiency, and effectiveness - How the Council uses information about its costs and performance to improve the way it manages and delivers its services.
- 8.21 In relation to each of the three areas examined for the VFM opinion (outlined above), the comments were positive. The findings were that no risk of significant weaknesses in arrangements had been identified and that there were no actual weaknesses in arrangements identified. This can provide some assurance about the financial resilience of the Council.
- 8.22 Financial resilience does depend in part on the Council maintaining an adequate level of reserves and balances. The reserves position is set out in paragraph 11.44 whilst the overall position regarding reserves and balances is presented in a report elsewhere on the Agenda on Reserves, Robustness of Estimates, Affordability and Prudence of Capital Investments.

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## 9 City Region Context

- 9.1 Despite the pandemic, 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, climate change and the justice system. The ambition of the region is reflected in the Greater Manchester Strategy Refresh (agreed by GMCA at its meeting on 17 December 2021) and a series of supporting strategies such as the Transport Strategy 2040.
- 9.2 However, because of the impacts of COVID-19, Greater Manchester Combined Authority (GMCA) like many public bodies has amended/ replaced many longer-term plans with one-year plans in 2021/22 linked into managing the response to COVID-19 (for GMCA this is the Living with COVID-19 Resilience Plan) and developing back better. Certain initiatives are underway in the preparing for the building back better phase of responding to COVID-19 such as Green Energy Initiatives (now set out as a priority in the Greater Manchester Strategy Refresh). The implementation of the plan therefore begins to determine how Greater Manchester is responding to the disproportionate impact COVID-19 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 going forward into 2022/23 and future years. As with other public bodies the recent variant of concern could impact on recent plans.
- 9.3 The Greater Manchester Strategy Refresh is now the key policy document that will shape the future of Greater Manchester. The Living with COVID-19 Resilience Plan also has a key role to play in driving system change and provides a bridge between the unique situation still being faced over the next 12 months, while implementing key elements of the refreshed Strategy.
- 9.4 The extent to which this agenda will be supported by Central Government both in policy and in funding terms is clearer after SR21, but significant uncertainties remain. The National Infrastructure Strategy published in late 2020 has outlined major investment and it is anticipated the Levelling Up White Paper with associated funds will prioritise bids to drive growth and regeneration in places in need, those facing 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.
- 9.5 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 with certainty beyond 2022/23. 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 (regarding the Mayoral precepts) also impact on Council Tax charges for Oldham citizens. COVID-19 has impacted on public transport such as Metrolink overseen by Transport for Greater Manchester (an integral part of GMCA). Whilst Government support to key public transport infrastructure has been welcome in 2021/22 it is not guaranteed to continue beyond 2022/23. As such, one issue which could impact on the constituent Districts financially over the period of this MTFs is the risk that it will need to underpin the finances of Metrolink if passenger numbers in the longer term do not return to pre pandemic levels. At present the MTFs assumes no on-going impact arising from the pandemic with inflationary increases assumed for the Transport Levy.

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- 9.6 Another GMCA matter which could impact on the Council could be the abolition of the 100% Business Rates piloting arrangement after 2022/23. This currently gives the flexibility for any reported gains to be split 50/ 50 between constituent Districts and the GMCA. Whilst SR21 initially gave the impression that the pilot would continue until 2024/25 it is understood that this matter is subject to review by the current Secretary of State. The Oldham MTFs assumes this will not continue after 2022/23 and for GMCA it will mean a funding source for certain expenditure will need to be identified. The MTFs currently assumes no additional funding for regional initiatives in 2023/24.
- 9.7 One important initiative currently being undertaken by GMCA is bus reform - the “Bus Back Better” initiative. At present from an Oldham perspective, it is anticipated that a one-off contribution (planned to be financed from Reserves) will be required in the financial year 2024/25. The risk that there will be an additional call for contributions to finance Bus Reform cannot be discounted.
- 9.8 The main impact on the Waste Levy to be paid over by the Council is the current operating contract which has provision for annual inflationary increases. At present inflation is at its highest rate for several years. Whilst GMCA have been able to maintain the Levy increase to affordable levels for the financial year 2022/23 there is a risk that if inflation continues into future years the increase to the Waste Levy becomes a significant financial pressure to the Council from the financial year 2023/24.

### **Health and Social Care Integration**

- 9.9 The major reforms to the NHS and the drive for Health Integration including the abolition of Clinical Commissioning Groups and the creation of Integrated Care systems will have an important influence across GM but also in Oldham. Whilst the details of the new arrangements have yet to be finalised, it will provide opportunities to take forward health and social care integration and the delivery of efficiencies and system wide savings.

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## 10 Budget Strategy and Medium Term Financial Planning for Future Years

- 10.1 The Council is facing considerable financial uncertainty. Whilst the Council was already planning to address an initial £31.900m budget reduction requirement for 2022/23 (now revised to £37.523m with plans in place to address), with significant savings also projected for the years 2023/24 to 2026/27, COVID-19 continues to present challenges, increasing demand pressures and heightened the financial pressures. Whilst extra funding has been confirmed for 2022/23 there remains uncertainty about the value of grants for the next two years of the three year spending review period. The financial impact of the changes to Adult Social Care as outlined in both the Building Back Better/ People at the Heart of Social Care White Papers are assumed to have a neutral impact (increased expenditure/reduced income offset by increased grant) with the implications becoming clearer as further detailed proposals are published and developed. The Council's priority is therefore to stabilise the financial position and ensure its financial resilience over the medium term.
- 10.2 In view of the indicative three-year funding notification provided in the Spending Review, the MTFs which previously covered a three year timeframe has been increased to five years, covering the period 2022/23 to 2026/27.
- 10.3 Estimates upon which the MTFs is based are prepared using 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 2022/23 revenue budget has been finalised, the cycle of reviewing the budget reduction requirement for 2023/24 and future years will begin again.
- 10.4 Having been subject to a decade of severe funding reductions in the years prior to COVID-19, 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, to achieve this, since 2017/18, there has been an increase in the use of one-off measures, including the use of reserves utilised to balance the budget.
- 10.5 As this section of the report highlights, there are still significant budget reduction targets for the MTFs period 2022/23 to 2026/27, albeit that the Revenue Budget Report clearly sets out how the 2022/23 budget will be balanced. 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.
- 10.6 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 previously approved for the period 2021/22 to 2023/24. Nonetheless, work has taken place in developing a revised programme which will be the focus of this financial strategy. However, given the extent of the financial challenge, a balancing budget reserve of £33.498m (with an additional £1.432m for Bus Reform) has been created to support the phasing of the delivery of:
- Savings arising from the budget proposals put forward which have an impact in the years to 2025/26.
  - The next phases of the agenda for transformational change.
- 10.7 However, the budget reduction requirement for 2023/24 and 2024/25 in part reflects the use of reserves and flexible use of capital receipts that have been used to balance the 2022/23 revenue budget. Similarly, the target for 2023/24 is high due to the level of one-off reserves

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planned to support the 2022/23 budget. It is important to note that the Balancing Budget reserve will have been used by 2024/25, unless there is an opportunity to top it up with additional funds, so it is essential that robust and deliverable budget proposals are developed, approved and implemented successfully.

### Policy Landscape Surrounding the Development of Medium-Term Financial Plans

#### *National Context*

- 10.8 As has previously been advised, there are several key influences on budget setting for 2022/23 including the residual demand pressures of COVID-19. Now that vaccines have been rolled out, the impact on 2021/22 and future financial years can be better assessed (although uncertainty remains about future variants of concern). In both the financial years 2021/22 and 2022/23 it is assumed the expenditure pressure will reach its maximum level before the long term financial impact of COVID-19 begins to reduce over the next four years. The MTFs has been prepared on this basis.
- 10.9 The overarching challenge in preparing the MTFs is that due to COVID-19, the multi-year SR 21 provided high level funding intentions for three years, but the Provisional Settlement only provided detail for one year. Whilst there was additional funding for the wider Local Government community, this must cover all costs including the residual costs of COVID-19.
- 10.10 It is envisaged that Government funding will be subject to reform (often referred to as Levelling Up as set out in the recent White Paper) during the financial year 2022/23. This will be reflected in the Local Government Finance Settlements of 2023/24 and 2024/25. To be prudent the future projections for this iteration of the MTFs assumes Oldham receives no increase in direct Government funding until there is further clarity.
- 10.11 The potential uncertainty 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 2023/24 to 2026/27. Members must consider these forecasts as indicative only and could be subject to significant change as more detail on each area emerges.

#### *Oldham Context*

- 10.12 The Council's programme of transformational change which, whilst interrupted during 2020 and early 2021 due to the pandemic, has been refreshed during 2021 although it is largely still focused on the themes approved in the 2021/22 to 2023/24 MTFs.
- 10.13 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.
- 10.14 Specific themes underpinning the transformation change programme together with indicative savings estimates within the MTFs are presented in section 11 of the report.

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## Forecast Budget Estimates and Budget Reduction Requirements

### *Risks and Uncertainties*

- 10.15 There are a vast range of risks and uncertainties influencing the MTFS. Much relies on the COVID-19 pandemic having less impact from the financial year 2022/23 and the Council being able to reduce the resources dedicated to dealing with the COVID-19 legacy. This is a key assumption in the MTFS, but should COVID-19 legacy costs not reduce as anticipated, this would adjust the assumptions in the MTFS projections.
- 10.16 There are other organisations such as the GMCA impacted by COVID-19. No specific assumptions as to additional costs being passed to Oldham and the other District Councils in GM has been assumed. This would also vary projections if there were such pressures.
- 10.17 A potential risk is the inability to deliver the transformational change to the timeline and values required. The delivery of transformation 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.
- 10.18 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 these variables in what remains a turbulent and uncertain global political and economic environment. At present inflation is at a high level compared to the national target although it is expected to return to more historic levels.
- 10.19 At the local level, the medium-term financial estimates also assume that beyond 2022/23 (where a limited increase in the Council Tax Base has been assumed) there will be a return to a normal yearly growth in the Council Tax Base and the scarring caused to the Collection Fund from the pandemic will be resolved by the end of the financial year 2023/24. This is expected to result from an upturn in the economy as employment opportunities increase, fewer people are eligible for Council Tax Reduction and as more new homes are constructed and come on stream. This is supported by the continued roll out of COVID-19 vaccines in the booster programme into at least 2023/24. 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.
- 10.20 Business Rates continue to present specific forecasting challenges due to general volatility surrounding Business Rates income, the impact of COVID-19 on certainty for business investment, the ability of certain sectors to bounce back from the pandemic, the impact of appeals and especially the changes in Government policy around Business Rates reliefs. This is compounded by the planned revaluation effective from April 2023 and the expected move to a 50% Business Rates Retention scheme.
- 10.21 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.
- 10.22 In view of the significant risks and uncertainties surrounding the medium-term indicative financial estimates, the assumptions and calculations underpinning these forecasts will be regularly reviewed and updated.

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*Forecast Budget Reduction Requirements and Underlying Budget Assumptions (2022/23 to 2026/27)*

- 10.23 Summarised in Table 1 is the forecast budget reduction requirement for the period 2022/23 to 2026/27. It includes 2022/23 to show the five year perspective. The starting point in the assumptions was a prior year net budget of £249.443m for 2023/24, £253.110m for 2024/25, £261.547m for 2025/26 and £264.780m for 2026/27. This has then been adjusted for the expenditure and funding assumptions detailed below to determine the net budget requirement with the high-level estimates presented at **Appendix 2**. This assumes all 2022/23 budget reduction proposals presented in the 2022/23 Budget Report are approved and implemented in full. The key assumptions for 2023/24 to 2026/27 are presented as follows:

**Expenditure Assumptions**

Reversal of the Use of One Off Measures for 2022/23 and future years

The 2022/23 budget includes the use of £2.500m of Capital Receipts to offset the revenue costs of transformational projects that deliver future ongoing revenue savings for either the Council or other public sector delivery partners. As this is a one-off initiative, an amount of £2.500m must be added to the financial pressures for 2023/24. In addition, adjustments must also be made for the 2022/23 one-off use of reserves for on-going services of £11.401m and a transfer to reserves of £1.710m. The 2023/24 budget assumes the one-off use of reserves of £6.000m and 2024/25 budget the use of £3.932m (£2.500m of which is supporting recurrent expenditure). As one-off measures these amounts must be added to the pressures of the following financial year.

Procurement Framework

The approved Procurement Framework only extends to 31 March 2026, so no income has been assumed beyond that date and as such this increases the budget of the Council for 2026/27 by £0.506m.

Investment Fund

The Investment Fund presents the revenue cost of financing the Capital programme where the Council has had to undertake additional prudential borrowing to support capital expenditure. The 2023/24 to 2026/27 budget assumes an increase of £5.250m in 2023/24, £4.300m in 2024/25, £2.500m in both 2025/26 and 2026/27. The capital programme is detailed in the capital strategy report included elsewhere on this Agenda.

Pay, Contractual and Energy Inflation

The MTFs assumes a pay increase of 2.0% for staff in each of the financial years 2023/24 to 2026/27. The MTFs assumes contractual and service inflation but reducing in each of the financial years 2023/24 to 2026/27 compared to 2022/23, plus additional energy price inflationary pressures. Overall, these increases are estimated to be £5.280m in 2023/24, £5.160m in 2024/25, £4.465m in 2025/26 and £4.345m in 2026/27.

Cessation of Pension Prepayment Flexibility

For the period 2020/21 to 2022/23, the Council has made an up-front payment of its employer's pension contributions to the Greater Manchester Pension Fund to generate a revenue budget reduction. It is assumed that from 2023/24 it is not offered as an option to contributing Authorities, adding £0.900m to the financial pressures for 2023/24.

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### School Related Pressures

An additional budget pressure of £0.296m has been included in 2023/24 for an adjustment of historic costs which can no longer be funded by the Dedicated Schools Grant but nonetheless continue to be incurred. Due to a continuous increase in the number of children with special needs requiring transportation to school, a budgetary provision of £0.250m has been included in the projections for the four financial years 2023/24 to 2026/27.

### Children's Social Care – additional service pressures

Initial forecasts indicate that the demand pressures on Children's Social Care will continue into the financial years 2023/24 and 2024/25 until the efficiencies from the managing of demand transformation programme (as set out at Section 11) reduce this so that no provision for increased expenditure is required from 2025/26. Additional budgetary provision of £1.000m is therefore included for the financial years 2023/24 and 2024/25 only.

### Adult Social Care Pressures Including Costs of Reform

A key element of the Adult Social Care Transformation Programme is to better manage future demand therefore reducing financial pressures. It is anticipated this will begin to reduce the future financial pressures on the Service from 2024/25, although there will still continue to be some demographic pressures and the impact of contractual inflation to support wage increases.

The two recent White Papers produced on Adult Social Care "Building Back Better" and "People at the Heart of Social Care" indicate significant reforms to Adult Social Care. There are two elements to these reforms covering increased costs and reduced income with £1.7bn planned to be made available nationally to Local Authorities between the financial years 2022/23 to 2024/25 to fund the increased expenditure. The grant funding for 2022/23 has been confirmed as £0.758m and it is estimated that in 2023/24 this will be increased and combined with compensation for two significant elements of the reform to Adult Social Care in that from 1 October 2023 there is:

- a) the introduction of a cap on individual contributions paid by users of services
- b) a change to the savings threshold at which individuals must make a contribution to homecare support.

In total, Adult Social Care expenditure is expected to increase in 2023/24 by £7.651m, with a further £3.410m in 2024/25. However, the full impact of the reforms will require more detailed analysis and these estimates are likely to change as more detail emerges. The MTFS assumes costs will increase by £1.164m in 2025/26 and £1.190m in 2026/27.

### Living Wage Foundation National Living Wage

Members have agreed in the 2022/23 budget, that in line with the Co-operative ethos, with effect from 1 October 2022, the Council will provide resource to enable those organisations providing services to the Council to implement the Living Wage Foundation National Living Wage. The MTFS assumes that this will increase costs by an additional £1.000m in 2023/24.

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### Increased expenditure funded by the passporting of Public Health Grant

With the expected demise of the Greater Manchester Business Rates Pilot it is assumed the Council will receive its Public Health Grant directly from the financial year 2023/24. It is assumed this grant will increase by inflation for each of the financial years 2023/24 to 2026/27. The agreed Council policy is to passport on any increase in the grant to Public Health. As such the budgets of the Public Health service have been increased by £0.344m in 2023/24, by £0.351m in 2024/25, £0.358m in 2025/26 and £0.365m in 2026/27.

### Organisational Redesign

In the detailed 2022/23 Revenue Budget, pump priming funding of £1.300m is needed to support a programme of organisational redesign to improve effectiveness and deliver future efficiencies including future year budget reductions. It is expected that this investment is in effect an invest to save initiative with the investment to be repaid in the form of efficiencies of £0.650m in the financial years 2023/24 and 2024/25.

### COVID-19 Legacy Costs

In the detailed 2022/23 Revenue Budget an additional amount of £12.000m has been included to fund the anticipated financial legacy of the pandemic. From 2023/24 to 2026/27 it is anticipated this demand reduces by £3.000m for each financial year.

### Parish Precept Expenditure

This is estimated to increase by £0.008m in each of the financial years 2023/24 to 2026/27 offset by increased Parish Precept income.

### Development Fund

Each of the financial years 2023/24 to 2026/27 includes an allocation to facilitate the funding of corporate priority developments that emerge during the budget process in line with political priorities. For 2023/24 the allocation is £2.000m increasing to £3.000m for the years 2024/25 to 2026/27.

### Levies and Contributions

A review of the estimated levy/ statutory charge (for Waste and Transport Services) plus agreed District priorities has estimated the increase to Levies and Contributions for the financial year 2023/24 to 2026/27. The overall increase is estimated at £0.675m in each of the financial years 2023/24 to 2026/27.

### Mayoral Bus Reform - Bus Back Better

An initiative led by the Combined Authority is Bus Reform. This will require a one-off contribution from the Individual Districts in the financial year 2024/25. For Oldham this contribution is £1.432m which is to be financed from an Earmarked Reserve.

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## **Funding Assumptions**

### **Changes to Business Rates including Business Rates Top Up**

As previously advised, it has been assumed that the current Business Rates Piloting arrangements for Greater Manchester will end in the financial year 2022/23 and from April 2023 a Business Rates revaluation will be effective. It is assumed that this will have a neutral impact (in the absence of any better information). As such from 2023/24 it is assumed the Council will receive a Business Rates Top Up Grant of £36.500m which does not increase over the MTF5 period.

### **Revenue Support Grant**

Linked into the changes to Business Rates, the Council will start to receive Revenue Support Grant (RSG) from the financial year 2023/24 to 2026/27 (it currently does not receive this grant due to piloting 100% Business Rates Retention). It is anticipated that RSG will increase in line with inflation and is estimated to be £17.945m for 2023/24, £18.304m for 2024/25, £18.670m for 2025/26 and £19.043m for 2026/27.

### **Public Health Grant**

Again, due to the 100% Business Rates Retention the Council does not directly receive Public Health Grant. It is assumed that this will change for the financial year 2023/24 to 2026/27. It is anticipated this grant will increase in line with inflation and is estimated to be £17.559m for 2023/24, £17.910m for 2024/25, £18.269m for 2025/26 and £18.634m for 2026/27. These increases are passported to the Service as per Council Policy.

### **Improved Better Care Fund (IBCF)**

It is assumed the IBCF will continue from the financial year 2023/24 to 2026/27. It is anticipated this will increase in line with inflation and is estimated to be £11.411m for 2023/24, £11.639m for 2024/25, £11.872m for 2025/26 and £12.109m for 2026/27.

### **Social Care Support Grant**

It is assumed this grant will remain at the amount already notified for the financial year 2022/23 at £12.132m for 2023/24 to 2026/27.

### **Lower Tier Support Grant**

This grant is not guaranteed beyond 2022/23. It is assumed this grant or its replacement will remain at the amount already notified for the financial year 2022/23 at £0.428m for 2023/24 to 2026/27.

### **Independent Living Fund**

It is assumed this grant will continue from the financial year 2023/24 to 2026/27. It is anticipated this will not increase in the four financial years and is estimated to be £2.580m in each of the financial years.

### **Housing Benefit and Council Tax Administration Grants**

It is assumed, considering the Government stated policy that Universal Credit will be fully implemented from 2024/25, that Housing Benefit Administration Grant will cease, and this grant will be discontinued at the end of the 2024/25 financial year. It is assumed the grant will be paid at the level notified for 2022/23 (£0.824m) for the two financial years. It is

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assumed Council Tax Administration Grant estimated at £0.378m will continue for the four years of the MTFS increasing for inflation. By the financial year 2026/27 this is estimated to total £0.402m.

#### Anticipated Levelling Up Resources

There is uncertainty as to how the grant payments for the New Homes Bonus and Services Grant included in the PLGFS will continue for 2023/24 and future financial years. It is hoped that the process of levelling up will be beneficial to areas of the country experiencing higher levels of deprivation. However, at present an increase in funding cannot be guaranteed. Therefore it is assumed that both grants or their replacements will remain at the same level as already notified for the financial year 2022/23. Therefore grants of £5.029m are assumed in each the financial years 2023/24 to 2026/27.

#### Adult Social Care - Building Back Better

The initial grant funding to fund the reforms set out in the Building Back Better White Paper. for 2022/23 allocation is £0.758m. The Council is expected to receive an overall allocation of £5.300m in 2023/24 (an increase of £4.542m) which is then increased by a further £2.280m in 2024/25 (overall funding estimated at £7.580m per annum from 2024/25) to meet the cost of future reforms. This grant covers the cost of the reforms and reduced contributions to pay for Care.

#### Retained Business Rates

It is assumed that Business Rates will be collected locally and retained at a level of 50% to finance local services from the financial year 2023/24 to 2026/27. It is anticipated this will not increase in the four financial years estimated (based on observations of the growth achieved on the business rate base as a cash yield in previous years). It will therefore reduce from the levels seen under the 100% pilot scheme (£50.140m for Oldham in 2022/23) to £25.663m in each of the financial years 2023/24 to 2026/27 but the reduction will be offset by increases in Revenue Support Grant and Public Health Grant.

#### Grants in Lieu of Business Rates

It is assumed that an element of these grants to alleviate the pressures on businesses will continue from the financial year 2023/24 to 2026/27. Again given the movement from 100% to 50% Business Rates Retention, the value of the grant is reduced. Also given the uncertainty around Business Rates reform and the one off measures to support the residual impact of COVID-19 on business rate payers in 2022/23, a prudent approach is being adopted until the reforms become clearer. As such an amount of £13.368m is assumed for 2023/24 to 2026/27.

#### Council Tax Income

It is assumed this will increase by 1.99% for general purposes between 2023/24 and 2026/27. In addition it is expected the number of recipients of Council Tax Reduction will reduce and that there will be an increase in new residences and/ or empty homes occupied. Together this is expected to increase the Council Tax Base by 484 Band D equivalents each financial year after the Collection Rate is taken into account. An amount of £105.863m will be precepted for 2023/24, £108.874m for 2024/25, £111.958m for 2025/26 and £115.123m for 2026/27, plus £0.322m rising to £0.346m for Parish Precepts by 2026/27. It also assumed that the Adult Social Care Precept will cease from 2023/24 given the major reform to Adult Social Care.

## Collection Fund Deficit

In 2023/24 it is necessary to charge £2.192m of Collection Fund deficit to the revenue budget to address losses in 2020/21 caused by the COVID-19 pandemic. No other deficits or surpluses are assumed over the period to 2026/27.

## Summary Position

10.24 Having regard to the expenditure and income assumptions as set out above the information presented below in Table 1 details the revised budget reduction requirement for the financial years 2022/23 to 2026/27 (prior to application of budget reductions and use of reserves). The detailed implications for 2022/23 are included in the 2022/23 Revenue Budget Report elsewhere on the Agenda.

**Table 1 – Budget Reduction Requirement**

	2022/23	2023/24	2024/25	2025/26	2026/27
	£000	£000	£000	£000	£000
<b>Prior Year Net Revenue Budget</b>	<b>237,349</b>	<b>249,443</b>	<b>253,110</b>	<b>261,547</b>	<b>264,780</b>
Total Adjustments to the Base Budget	8,297	12,191	6,000	2,500	506
Total Expenditure Adjustments	26,281	18,329	10,829	5,745	5,658
Total Development Fund	1,680	2,000	3,000	3,000	3,000
Total Impact of Levies	267	675	2,107	675	675
<b>Total Expenditure</b>	<b>273,874</b>	<b>282,638</b>	<b>275,046</b>	<b>273,467</b>	<b>274,619</b>
Total Government Grant Funding	(75,761)	(110,086)	(113,312)	(113,453)	(114,437)
Total Business Rates Income	(71,321)	(39,031)	(39,031)	(39,031)	(39,031)
Total Council Tax Income	(103,246)	(106,185)	(109,204)	(112,296)	(115,469)
Total Collection Fund (excluding the impact of business rates reliefs)	885	2,192	0	0	0
<b>Total Funding</b>	<b>(249,443)</b>	<b>(253,110)</b>	<b>(261,547)</b>	<b>(264,780)</b>	<b>(268,937)</b>
<b>Budget Reduction Requirement</b>	<b>24,431</b>	<b>29,528</b>	<b>13,499</b>	<b>8,687</b>	<b>5,682</b>
Collection Fund Deficit – Impact of Business Rates Reliefs	13,092	0	0	0	0
<b>Adjusted Budget Reduction Requirement</b>	<b>37,523</b>	<b>29,528</b>	<b>13,499</b>	<b>8,687</b>	<b>5,682</b>

10.25 Taking into consideration the Budget Reductions included in the 2022/23 Revenue Budget Report and the use of reserves set out above, Table 2 shows that the Budget Reduction requirements for the remainder of the MTFS period total £38.894m and by year are:

- 2023/24 - £16.711m
- 2024/25 - £8.117m
- 2025/26 - £8.384m
- 2026/27 - £5.682m

**Table 2 – Net Budget Reduction Requirement**

	2022/23	2023/24	2024/25	2025/26	2026/27
	£000	£000	£000	£000	£000
<b>Prior Year Net Revenue Budget</b>	<b>237,349</b>	<b>249,443</b>	<b>253,110</b>	<b>261,547</b>	<b>264,780</b>
<b>Adjusted Budget Reduction Requirement</b>	<b>37,523</b>	<b>29,528</b>	<b>13,499</b>	<b>8,687</b>	<b>5,682</b>
<b>2021/22 Approved Budget Reductions</b>	<b>(5,467)</b>	<b>(4,922)</b>	<b>(300)</b>	<b>(303)</b>	<b>0</b>
<b>2022/23 Proposed Budget Reductions</b>	<b>(6,268)</b>	<b>(1,895)</b>	<b>(1,150)</b>	<b>0</b>	<b>0</b>
<b>Total Flexible Use of Capital Receipts</b>	<b>(2,500)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total Use of Reserves</b>	<b>(23,288)</b>	<b>(6,000)</b>	<b>(3,932)</b>	<b>0</b>	<b>0</b>
<b>Net Gap/Budget Reduction Requirement</b>	<b>0</b>	<b>16,711</b>	<b>8,117</b>	<b>8,384</b>	<b>5,682</b>

10.26 The means by which the Council will address these budget reduction requirements is set out at Section 11 which describes the Councils transformation programme.

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## 11 Transformation Programme

- 11.1 As presented in the 2021/22 to 2023/24 MTFs, the Council has a programme of transformational activity based on four main themes plus a Cross Cutting programme of change. The target budget reductions for 2023/24 are as set out by theme in the table below.

**Table 3 – Previously Approved Transformation Programme Budget Reductions**

Theme	2023/24 £000
Place Based Integration/Communities	300
Children's Services	2,925
Health and Care	4,225
Economy	3,475
<b>Total Transformation Programme</b>	<b>10,925</b>
Cross Cutting Initiatives	6,168
<b>Total Budget Reduction Requirement</b>	<b>17,093</b>

As Table 2 highlights in Section 10 of this report, the 2023/24 indicative budget reduction required from the Transformation Programme has reduced from £17.093m to £16.711m.

- 11.2 The programme has been developed further in 2021/22 and now renamed as the Delivering a Sustainable Future (DaSF) initiative. Between May and August 2021, the DaSF concept and shape programme, was supported by external expertise from a team who had worked with Authorities across the country. This tested our approach and brought in an understanding of best practice which might be applicable in the Oldham environment. The programme was time limited and undertaken at a high level so it was inevitable that the findings would need to be worked through to a greater level of granularity than was initially possible. One of the benefits of the approach and the areas of focus was that it identified a number of middle and back-office functions which could be improved without detriment to the Oldham residents; examples are, investment in digital capability to improve efficiency; improving the utilisation of the business support function to better support the business; improving the customer' offer; addressing pressures in some workforce areas, including the amount of agency spend and social work recruitment and retention.
- 11.3 Following the conclusion of the initial phase of the DaSF, the transformation programme has been reshaped and moulded to reflect the new change requirements. The themes reflect both changing processes to improve efficiency and deliver future savings. The programme is comprised of the following core themes (a development of the already approved themes) and each of these is led by a Sponsor and a Senior Responsible Officer (SRO) with the Chief Executive taking overall responsibility for the initiative. Where possible the budget reduction targets assigned to themes, to which services were already working, have been retained for 2023/24. The revised themes are:
- Enablers for Transformation
  - Place Based Integration/ Communities
  - Children's Transformation Programme
  - Adult Social Care Transformation Programme including Health and Care integration
  - Economy and Public Realm (including the Creating a Better Place Programme)

- 11.4 As with the previous strategy, this Transformation Programme is supported by several Cross Cutting Initiatives within the Council to deliver the additional savings required. A description of each of the main Programmes and associated activities expected to contribute to addressing future budget reduction requirements is set out below.
- 11.5 A number of the 2021/22 and 2022/23 budget reduction proposals have on-going implications into 2023/24 to 2025/26. These proposals are expected to make a significant contribution to closing the budget gap from the financial year 2023/24. These totals are set out in the table below, aligned to five themes where possible.

**Table 3 – Indicative Current Transformation Programme Savings**

Indicative Transformation Programme Savings 2023/24 to 2026/27	2023/24 £000	2024/25 £000	2025/26 £000	2026/27 £000
Place Based Integration / Communities	0	0	0	0
Adults Social Care Transformation Programme/ Integration with Health and Care	(1,774)	0	0	0
Children's Transformation Programme	(753)	(147)	0	0
Economy and Public Realm	(3,950)	(1,150)	(303)	0
Cross Cutting	(340)	(153)	0	0
<b>Total</b>	<b>(6,817)</b>	<b>(1,450)</b>	<b>(303)</b>	<b>0</b>

- 11.6 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 Council operating model.
- 11.7 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 estimated balance as at the 2021/22 year-end is £5.952m and this will be used from 2022/23 onwards to support the implementation of the initiatives including any investment required to facilitate the efficiencies outlined in the following paragraphs. There is also an Earmarked Reserve for integrated working which can support investment in joint working initiatives with the NHS to deliver future efficiencies and a regeneration reserve which can support the Creating a Better Place programme of work.

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## *Theme 1 – Enablers for Change*

11.8 The Enablers for Change Theme can be summarised as a programme of work requiring 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 inter-dependencies. The cases for change are:

- Business Support - exploring alternative models for enhancing the present business support services to assist more efficient front line service delivery.
- Business Insight, Performance and Strategy - creating a fit for purpose data and analytical capability to underpin current and future decisions on service delivery. This delivers efficiencies in other parts of the Council.
- Customer Experience - providing improved experience and responsiveness for Oldham residents through better use of systems and processes including reducing demand.
- HR/ OD Workforce Foundations - development of the business model as a strategic and enabling HR/OD service with a range of underpinning improvements including developing efficiencies on the payroll system iTrent, Agency Supply Model, Organisational Design, and Terms and Conditions including reward and recognition packages for staff.
- Digital and Technology - improving and strengthening our digital foundations for residents as well as promoting greater efficiency in internal systems and processes. Efficiency improvements are expected to support Services achieve future savings. The digital infrastructure underpins a modern and forward looking Borough and reflects 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. This is one area which has significant corporate implications and is likely to impact on every service in some way and so it is critical to the Oldham ambition to deliver more efficient services. Investment funding for digital and technology initiatives is included in the Capital Programme.
- Commissioning - developing a new Integrated Commissioning model bring together contract management, procurement and quality assurance to provide an end-to-end commissioning cycle. This will support services to deliver future transformation.

11.9 In further developing the detailed cases for change, it is not expected that the enablers for change will deliver specific saving from their own service, but they are expected to support the delivery of greater efficiencies in process. This theme will enable the bigger spending areas within the Council such as Children’s Services and Adult Social Care to generate cashable transformation savings.

## *Theme 2 - Place Based Integration/ Communities*

11.10 The Place Based Integration programme has been underway for some time (albeit delayed by the pandemic). The aim of the programme has been to reconfigure and integrate services in each of the five districts of Oldham enhanced by investment from the 2022/23 budget. There are significant inter-dependencies with the other transformation programmes and services; specifically with Adults and Children’s services. During 2021 progress has

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been made including creation of new decision making arrangements and enhanced levels of engagement with a wider range of stakeholders in order to ensure the model is co-designed. Progress includes the development of proposals for a trial in adult social care aimed at reducing waiting times for residents on multiple waiting lists in North and East districts. Understandably there remains a challenge and risk in all partners developing a defined, shared vision for how place-based working will be configured in order to secure future efficiencies and continuous improvements rather than devise a more expensive model.

11.11 The Programme will also include the emerging “Changing Futures” linked into national priorities. The Changing Futures programme is an initiative from the Department of Levelling Up, Housing and Communities (DLUHC) seeking to support adults who currently experience multiple disadvantage. This is likely to include a combination of homelessness, substance abuse, mental health issues, domestic abuse and contact with the criminal justice system. A bid to the DLUHC was submitted through Greater Manchester with Oldham one of four constituent Districts (Rochdale, Manchester and Wigan being the other Councils) receiving funding. Whilst this funding will be used directly to support adults in Oldham, there is an expectation for any emerging insight and impact including the potential for financial savings to be shared at a GM level in support of the wider regional reform agenda.

11.12 Overall funding of £0.772m has been awarded by DLUHC across 3 years. Whilst this is a time limited opportunity, the purpose of the programme is to identify learning across the system to share within the City Region and support the identification of future savings for Oldham by adopting innovative approaches. The new service offer includes the following strands:

- A team of 4 case workers and 1 Team Manager to provide intensive and strength-based support to a small caseload of complex adults. Two of these roles will focus specifically on previously cared for women.
- A System Navigator role working with individuals with lived experience, providers and policy makers across Oldham to reduce barriers and highlight learning.
- The “Oldham Lens” of the programme will work closely with the voluntary sector to develop a peer led offer that will support women to better access the support that they need.
- A Confident Futures Programme Co-ordinator to oversee and lead the implementation of the service, to extract learning across the system to manage the interface with Greater Manchester.
- Appropriate funding to support community and voluntary organisations in the delivery of activity that will support the cohort.
- Resources will be required from the Strategy and Performance Team around data requirements to inform the external valuation.

11.13 The programme aims to deliver the following outcomes:

- Improved engagement, resilience and outcomes for adults with long term challenges.
- Reduced cost across the system and future cost avoidance.
- Better informed processes and service re-design influenced by learning from those with lived experience through a co-production approach. Opportunities for earlier intervention identified.
- Mapping of the current system across Oldham and an improved understanding across partners of where complexity prevents client engagement.
- An established peer support network for former cared for younger women to provide community level support and self-help.

- Strengthened relationships with the community and voluntary sector, particularly in providing support for high-risk individuals.
- A more targeted and evidence-based approach to the commissioning of services.
- A tested and improved early intervention offer for adults based on a whole system, holistic and a personalised response.

11.14 Building upon the anticipated budget reductions included in the 2021/22 to 2023/24 MTFS of £0.300m for 2023/24, the table below details that savings of a total of £0.600m are anticipated from Place Based Integration over a four year period.

**Table 4 – Place Based Integration Savings (Indicative at this stage)**

	2023/24	2024/25	2025/26	2026/27
Proposed Budget Reduction	£000	£000	£000	£000
Previously Agreed MTFS Target	300			
Current MTFS Target		100	100	100

*Theme 3 Children’s Transformation Programme*

11.15 The Children’s Transformation Programme is focusing on the key areas where effective and efficient demand management results in both efficiencies and future savings. It is being overseen by the Children’s Transformation and Sustainability Board which has a membership covering all areas of Council business as well as NHS representation. Work is underway to both review and better understand the drivers of demand and issues within children’s social care and to build a picture of where further opportunities to improve current services exist. Work on understanding long term demand pathways is seen as critical but there are also opportunities to refresh the Council and key partners approach to commissioning, both to maximise the current system use of spend for the benefit of Oldham families and children and to progress the efficient integration of services for children in need.

11.16 The Children’s Transformation Programme has five core programmes detailed below. These five core programmes are:

- Early Help; providing more support to vulnerable families through a range of preventative measures including more effective use of universal services, community advice and support, and increased provision of online advice and support. The additional funding announced in SR21 around Early Years such as funding to create family hubs is also an opportunity to enhance the programme.
- Inclusive Learning; improving the Education and Health Care Planning Process for Oldham’s young people, reducing the waiting time for speech, language and communication needs from two years to twelve weeks and reducing the number of young people not in education, employment or training.
- A Home for Every Child; providing a greater range of placements in Oldham for children while reducing the overall number of children entering the care system which provides the opportunity to reduce the costs of placements.
- Academic Success for All; focused on continued school improvement, education readiness for children and developing a skills and employment strategy. This project will also address the impact of COVID-19 (including the additional Government support provided for this) around better supporting children to catch up on educational attainment.
- Joining up Health and Care; this project is focused on providing more accessible multi-agency early years support for families, achieving more responsive and

efficient multi-agency services. This links into better commissioning of current services. The savings to be achieved are currently being identified.

- 11.17 Using this programme of activity and building upon the already agreed budget reduction target for 2023/24, the savings to be achieved from the Children’s Transformation Programme are summarised in the table below:

**Table 5 – Children Transformation Savings (Indicative at this stage)**

Proposed Budget Reduction	2023/24 £000	2024/25 £000	2025/26 £000	2026/27 £000
Previous MTFS Agreed Target	2,925			
Current MTFS Target		2,000	2,000	1,000

- 11.18 As advised above, in 2023/24 it is anticipated that the previously agreed transformational budget reduction target of £2.925m will be achieved. From 2024/25 it is assumed the programme will reduce the historic financial pressures experienced by the Service linked into increased demand. As such it is assumed that for the Children’s Service savings of £5.000m will be achieved between 2024/25 and 2026/27.

*Theme 4 - Adult Social Care Transformation Programme including Health and Care Integration*

- 11.19 This theme is split into two areas, one looking specifically at Adult Social Care transformation and the other element considers health and care integration

*Theme 4 (a) – Adult Social Care Transformation*

- 11.20 The programme is currently under review in order that recent saving proposals are embedded in the programme. The new programme is intended to be structured around three areas of Community Business Services, Adult Social Care (ASC) Operations and Commissioning, each of which will be comprised of a series of projects. These programmes incorporate the findings from the DaSF which were considered appropriate to local circumstances. The programme will also include links into the Social Work Academy being jointly developed with Children’s Services and Human Resource/ Organisational Development. This was one of the local workforce foundation projects emerging from the local requirements agreed with DaSF. Business cases for the new projects are being developed up to March 2022 with implementation beginning from April 2022 to deliver transformational savings from the financial year 2023/24.

- 11.21 This programme will also meet the emerging requirements of the Government White Paper “People at the Heart of Care” (issued in December 2021) and going forward, incorporate any requirements from “Building Back Better” (assumed to be met from increased Government grant in the MTFS). This will require some investment to achieve future efficiencies over the next three financial years.

- 11.22 The revised programme will deliver potential estimated savings of 10% in the first year, once the scope is agreed. The detailed scoping of this work began in January 2022.

- 11.23 This programme is expected to include:
- Adults Front Door and access to services linking into the wider Customer Experience
  - Achieving Better Outcomes – Learning Disability and Mental Health
  - Strength-based Approaches

- 11.24 Using this programme of activity and building upon the already agreed budget reduction target for 2023/24, the savings to be achieved from the whole Adult Social Care transformation programme are summarised in the table below:

**Table 6 – Adult Social Care Transformation Programme/Integration with Health and Care**

<b>Proposed Budget Reduction</b>	<b>2023/24 £000</b>	<b>2024/25 £000</b>	<b>2025/26 £000</b>	<b>2026/27 £000</b>
Previous MTFS Agreed Health and Care Target	4,225			
Additional Anticipated Programme Saving		2,000	2,000	1,000

*Programme 4(b) – Health and Care Programme*

- 11.25 The Health and Care Programme was adapted in light of the government White Paper “Working Together to Improve Health and Social Care for All”. This is currently also assessing the implications of the Building Back Better White Paper and People at the Heart of Social Care. This programme is led by the Oldham Clinical Commissioning Group Accountable Officer and been supported by a variety of teams across the NHS and Council. Additional funding has been provided until the end of 2022 to assist in the generation of these efficiencies.
- 11.26 The revised Health and Care Programme has resulted in new governance arrangements being in place including a New Locality System Board chaired by the Cabinet Member for Health and Care and an Integrated Delivery Board which continue to be jointly supported by the core team which are also jointly funded. This represents a significant programme of change across the health and care system, made more complex by the on-going debate about what is the vision at a Locality Level balancing service efficiency and economy. There is also the dynamic of determining priorities at the City Region level and Oldham locality. With there only being a short time until the new model comes into effect there is currently significant effort being put into designing a model which provides clarity about what it is planned to be delivered and at what spatial level. This is determining the design of services and staffing structures with the allocation of funding to support both a “hub” at the City Region level and a more bespoke model (the Oldham model) at a local level. At present staff are balancing support for closing down the present arrangements with the transition and then development of the new model which includes activities that are more transformational and linked into improving inequalities that reflect the needs of Oldham’s population.
- 11.27 Alongside the work to support this structural change and operating model a wide variety of colleagues across both the Health and Care System (Adults and Children’s) have been working together to effect improved quality assurance systems and patient pathways and improve collaboration between the Primary Care Network arrangements and the District/Placed Working.
- 11.28 It is anticipated that the new ways of working will deliver budget reductions but given the close alignment with the Adult Social Care transformation programme, no specific targets have been allocated. Instead, they are included within the all-encompassing target at 11.24 above. There are specific reserves available to support health and social care transformational change.

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*Theme 5 Economy and Public Realm (including the Creating a Better Place Strategy)*

- 11.29 The Economy and Public Realm Theme encompasses the Creating a Better Place Programme (which includes supporting the local economy) as well as numerous public realm activities including Highways Maintenance, Environmental Management, Waste Collection and Recycling, Street Lighting, Fleet Management and Public Protection. Although the Creating a Better Place programme is now embedded into the operating arrangements of the Council, this is still a transformational programme but one that has been well established. Nonetheless, it is important to note that 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 focusing on the development of robust economic initiatives and the transformation of public realm activities, a vibrant local economy can be rebuilt together with a high-quality environment that is attractive to residents and visitors.
- 11.30 Services which maintain and enhance the public realm alongside corporate land and property assets are essential to the delivery of the Council's priorities. As part of the refreshed 'Creating a Better Place' strategy 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.
- 11.31 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.
- 11.32 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.
- 11.33 The regeneration of Oldham town centre remains a Council priority. The acquisition of the Spindles and Town Square Shopping Centres is a key part of the Creating a Better Place Strategy 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. The Council will also seek to integrate and rationalise the highly visible and valued services which support and maintain the public realm of the Borough.
- 11.34 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 2022/23 to 2026/27.
- 11.35 This investment will bring future benefits to Oldham through additional economic and housing growth, which may provide increased revenue from, for example, Council Tax and/or Business Rates.
- 11.36 In addition to the budget reductions of £8.216m already programmed into the 2021/22 to 2025/26 budget, further budget reductions are expected within this theme – net of required offsetting costs. Acknowledging that the Creating a Better Place Programme is but one aspect of the previously agreed Economy theme, the already approved target of £3.475m for 2023/24 has been revised to £1.500m with further targets applied over the period to 2026/27 as shown in Table 7.

**Table 7 - Economy and Public Realm**

<b>Proposed Budget Reduction</b>	<b>2023/24 £000</b>	<b>2024/25 £000</b>	<b>2025/26 £000</b>	<b>2026/27 £000</b>
Previously Agreed MTFS Target (adjusted)	1,500			
Additional Anticipated Programme Saving		1,000	1,000	500

**Budget Reductions – Cross Cutting Initiatives**

11.37 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 Council’s operations that will be explored to identify other opportunities for savings and efficiencies.

*Income Generation*

11.38 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 Council’s budget; and
- Wholly owned companies, the Unity Partnership Ltd 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.

11.39 Although not specifically income generation, the Council will continue its efforts to maximise grant income via its External Funding Group and bid for appropriate external resources for both revenue and capital priority projects to reduce the requirement for specific Council funding and where appropriate reduced borrowing/ financing charges.

*Other Areas of Budget Review*

11.40 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;
- A review of the present Traded Services Arrangements; and
- 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.

11.41 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 it is based on estimates, however as shown in the table below, it is expected that £17.144m of savings will be identified from cross cutting initiatives including income generation and service specific budget reductions and efficiencies over the 4 years of the MTFS. As initiatives are progressed, more definitive estimates will become available.

**Table 8 – Cross Cutting Initiatives**

<b>Proposed Budget Reduction</b>	<b>2023/24 £000</b>	<b>2024/25 £000</b>	<b>2025/26 £000</b>	<b>2026/27 £000</b>
Additional Anticipated Programme Saving from Cross Cutting Initiatives	7,761	3,017	3,284	3,082

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

- 11.42 Within the MTFs savings of £38.894m are estimated from the transformational workstreams, the following table summarises the overall indicative savings estimated 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 9 – Transformation Programme and Cross Cutting Initiatives Summary**

<b>Workstream</b>	<b>2023/24 £000</b>	<b>2024/25 £000</b>	<b>2025/26 £000</b>	<b>2026/27 £000</b>
Place Based Integration/ Communities	300	100	100	100
Children's Services	2,925	2,000	2,000	1,000
Adults Social Care including Health	4,225	2,000	2,000	1,000
Economy and Public Realm	1,500	1,000	1,000	500
<b>Total Transformation Programme</b>	<b>8,950</b>	<b>5,100</b>	<b>5,100</b>	<b>2,600</b>
Cross Cutting Initiatives	7,761	3,017	3,284	3,082
<b>Total Budget Reduction Requirement</b>	<b>16,711</b>	<b>8,117</b>	<b>8,384</b>	<b>5,682</b>

#### On-going Budget Review

- 11.43 Given the importance of delivering budget reductions and embedding the programme of transformational change, during 2022/23, 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

11.44 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. The financial resilience of the Council has been reduced but based on the reserves and balances information set out at Section 20 of the Revenue Budget Report and below in Table 10, the position remains manageable when considering the 2022/23 to 2026/27 period.

**Table 10 – Earmarked Reserves Projected Use**

Earmarked Reserves Projection	2022/23 Estimated Closing Balance £000	2023/24 Estimated Closing Balance £000	2024/25 Estimated Closing Balance £000	2025/26 Estimated Closing Balance £000	2026/27 Estimated Closing Balance £000
Integrated Working Reserve	(12,462)	(10,212)	(8,212)	(5,212)	(3,212)
Transformation Reserve	(4,150)	(3,150)	(2,150)	(1,150)	-
Regeneration Reserve	(1,002)	(400)	(300)	(250)	-
Balancing Budget Reserve – 2023/24	(6,000)	-	-	-	-
Balancing Budget Reserve – 2024/25	(3,932)	(3,932)	-	-	-
Other Reserves	(29,437)	(26,676)	(26,354)	(26,354)	(26,354)
<b>Total</b>	<b>(57,013)</b>	<b>(44,370)</b>	<b>(37,016)</b>	<b>(32,966)</b>	<b>(29,566)</b>

11.45 The MTFs indicates a potential general use of reserves of £33.498m plus £1.432m specifically for bus reform to balance the budget over the period 2022/23 to 2026/27. The table above highlights a further projected use of reserves to support transformational activity which will support the delivery the budget reductions as outlined above. This use of reserves is not being specifically budgeted at this stage as the timing and profiling across the MTFs is subject to change and will be linked to specific business cases.

11.46 In line with the good budget management practices within the Authority, 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.

11.47 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 Council's Reserves Policy which is reported to the Audit Committee.

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## **12 Options/Alternatives**

12.1 The options as follows:

- Option 1 – Cabinet accepts the assumptions and resulting financial forecasts for 2022/23 to 2026/27, the proposed use of reserves and estimated budget reduction requirement for 2023/24 to 2026/27 presented within the report.
- Option 2 – Cabinet proposes amendments to the assumptions which will change the financial forecasts and resulting budget reduction requirement.
- Option 3 – Cabinet can request that further work is undertaken on some or all of the budget estimates and the approach to reserves and that Cabinet considers a revised position.

## **13 Preferred Option**

13.1 Options 1 is the preferred option. Assumptions and financial forecasts are based on objective research and the latest available information.

## **14 Consultation**

14.1 No specific public consultation on the proposed budget reductions targets detailed for the financial years 2023/24 to 2026/27 is required.

## **15 Financial Implications**

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

## **16 Legal Services Comments**

16.1 Any specific Legal implications associated with the MTFS will become clearer as detailed proposals are developed.

## **17 Co-operative Agenda**

17.1 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)

## **18 Human Resources Comments**

18.1 N/A

## **19 Risk Assessments**

19.1 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 (Assistant Director of Finance Corporate Governance and Strategic Finance)

## **20 IT Implications**

20.1 Any specific IT implications associated with the proposals will become clearer as detailed proposals are developed.

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## **21 Property Implications**

- 21.1 Any specific property implications associated with the proposals will become clearer as detailed proposals are developed.

## **22 Procurement Implications**

- 22.1 Any specific procurement implications associated with the proposals will become clearer as detailed proposals are developed.

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

- 23.1 Environmental and Health and Safety implications will be considered when dealing with the detailed proposals as appropriate.

## **24 Equality, community cohesion and crime implications**

- 24.1 In taking future 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.

- 24.2 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.

- 24.3 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.

- 24.4 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.

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- 24.5 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.
- 24.6 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.
- 24.7 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.
- 24.8 The equality impact assessment process that will be undertaken for the Council's 2023/24 and future years budget processes as a result of the requirement to make savings will involve:
- An initial equality impact screening – The budget proposal action plan forms completed by each Director / Service Manager shall incorporate an initial equality screening to identify whether any proposal has the potential for significant disproportionate adverse impact in respect of any protected characteristic i.e. whether the impact of the proposal falls disproportionately on any particular group – such as people with a disability.
- The key aims of this review process will be 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.
  - Full equality impact assessment – An equality impact assessment will then be carried out if the initial screening identifies that the proposal could have a potential significant, disproportionate adverse equality impact.
- 24.9 A key element to assessing the equality impact shall be the future involvement of elected Members. This involvement will include:
- Consideration of equality impacts throughout the Decision-Making process, including through the initial screenings on the proposal forms and a briefing paper;
  - Briefings between Directors and Cabinet Members during the future development of proposals and working together to consider the equality impacts and identify any mitigating actions; and
  - Both the EIA screening information contained with the future budget proposals and the EIA forms themselves, where required, will be submitted to, and considered by Members.

(Jonathan Downs, Corporate Policy Lead)

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**25 Key Decision**

25.1 Yes

**26 Key Decision Reference**

26.1 FLC-21-21

**27 Background Papers**

27.1 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 and 2  
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