

---

## Report to Council

# Budget Proposals 2016/17 & 2017/18

**Portfolio Holder:** Councillor Abdul Jabbar – Finance & HR

**Officer Contact:** Anne Ryans, Director of Finance

**Report Author:** Anne Ryans, Director of Finance  
**Ext.** 4902

**16 December 2015**

---

### Reason for Decision

This report presents to Council the Administration's detailed Tranche 2 budget reduction proposals for the financial year 2016/17. It also includes five of the Tranche 1 budget reduction proposals noted at the 4 November 2015 Council meeting for which a recommendation can now be made. This is prior to the receipt of the Local Government Finance Settlement and other information which will impact on budget decisions. Further detailed budget proposals will be presented to Council on 24 February 2016.

### Executive Summary

This report presents to Council, the second tranche of the Administrations detailed proposals towards bridging the revised 2016/17 budget gap of £18.194m.

It also refers back to Council five of the budget reduction proposals that were noted at the Council meeting on 4 November 2015. As consultation processes are now concluded for these proposals, a formal decision can now be made.

At the Council meeting on 4 November 2015 £5.974m of budget reductions were approved.

A further £3.379m (eight proposals) were noted on 4 November 2015 as consultation had not concluded. Five of these proposals totalling £2.036m, are now referred back to Council given consultation has now concluded.

A further £3.981m of new budget reductions have been identified as Tranche 2. These are presented in summary at Appendix 4 and in detail at Appendices 6 and 8.

Tranche 2 proposals totalling £4.131m comprising £3.891m of new proposals with B003 at a value of £0.150m having been deferred from Tranche 1 were presented for scrutiny at the Performance and Value for Money (PVFM) Overview and Scrutiny Select Committee on 3 November 2015.

---

Each of the proposals was examined in detail with questions and comments were put forward by Committee Members. As a consequence, the Select Committee was content to commend all £3.891m to Cabinet but with regard to proposal B003–(Public Protection Environmental Health Section of Public Health at a value of £150k), requested that it be split into 2 elements:

- B003(a) at a value of £70k in relation to the Commercial Protection Team
- B003(b) at a value of £80k in relation to the Environmental Health Team

The Select Committee was content to commend B003(a) to Cabinet for approval but requested that B003(b) is considered as part of Tranche 3 and thus reviewed in the January/February cycle of budget meetings. Cabinet at its meeting on 30 November 2015 was content to agree the recommendation of PVFM. As such, it is Tranche 2 proposals with a value of £4.051m that are being specifically presented to Council for consideration. Of these, £2.957m of proposals are for approval whilst £1.094m of proposals are for noting as consultation has yet to conclude.

All the proposals presented so far build upon the work that has already been undertaken in previous financial years to address budget challenges and to ensure continued financial stability for the Council.

Budget setting for 2016/17 and 2017/18 has operated in the context of on-going economic, demographic and policy challenges at both a local and national level. At a local level, budget proposals are framed by the Council's ambitions for a cooperative future. At a national level, the Government is still striving to reduce the national deficit and part of its strategy is to continue to reduce public sector funding, particularly that for Local Government for a minimum of the next four financial years.

The Summer Budget Announcement on 8 July 2015 confirmed that £20 billion of additional public sector spending reductions would be required in this Parliament. The Summer Budget did not quantify the detailed impact of the reductions for Local Government but the Government initiated a Comprehensive Spending Review (SR) to consider Government policy and related spending issues over the period to 2020.

The SR was amalgamated with the Autumn Statement and was announced by the Chancellor on 25 November 2015. The impact of the SR is wide-ranging but at this time it is not possible to assess the financial implications as the document contained high level information only and no detail. Appendix 1 sets out some information on policy matters affecting Local Government that are likely to have an impact on Oldham. It will only be when the Provisional Local Government Finance Settlement (PLGFS) is released (expected mid-December) that the precise implications for 2016/17 can be understood. Some changes will not be introduced until 2017 or later and will be the subject of future consultation.

The SR included some new issues not previously anticipated and the Chancellor was assisted by the inclusion of some £27 billion of previously unanticipated income which has been used to reduce the severity of the overall package of measures to address the austerity agenda. However, it set out some fundamental changes to Local Government and its future financial arrangements including the:

- Ability of Local Authorities to retain 100% of their Business Rates and the assignment of yet to be notified additional responsibilities
- Discontinuing of RSG, the main unringfenced grant received by Councils
- Ability to levy up to a 2% Council Tax precept ringfenced to Adult Social Care
- Expectation that Health and Social Care will integrate
- Government's aim of ending Local Authorities' role in running schools with all schools becoming an academy.

---

The 2016/17 Provisional Local Government Finance Settlement is currently expected from Central Government in mid-December 2015 and the budget position cannot be finalised until this information has been received, other Government funding has been notified, the Council Tax and Business Rates Tax-bases have been calculated and final levy notifications have been confirmed.

Clearly, the planning assumptions have been revised in the light of local and national issues but it is considered that the revised assumptions approved at the 4 November 2015 Council meeting are prudent. It is possible, however, that the financial position may change and that there may be a requirement for unanticipated budget proposals to be presented to the PVFM Select Committee in January 2016 and the budget Cabinet and Council meetings in February 2016.

Tranche 2 pro-forma budget reduction proposals together with Equality Impact Assessment (EIAs) documents as necessary in the sum of £4.051m for 2016/17 are presented for Council to review for the first time in summary at Appendix 4 and in detail at Appendices 6 and 8. All new proposals were the subject of a S188 notice issued to recognised Trades Unions on the 5 October. All proposals have been presented in accordance with the budget protocol which has been to examine options for reductions via a Directorate approach as follows:

- Health and Wellbeing
- Cooperatives and Neighbourhoods
- Economy and Skills
- Chief Executive and Policy and Governance
- Corporate and Commercial

The decisions Members are being requested to take are summarised in Table 1 below:

**Table 1 – Recommendation Summary**

Decision	For consideration	2016/17 (£'000)
Approve	Tranche 1 proposals	2,036
Approve	Tranche 2 proposals	2,957
All Approvals		4,993
Note	Tranche 2 proposals	1,094

The S188 notice in relation to Tranche 3 budget proposals was issued on 16 November 2015. This detailed proposals totalling £2.560m with a potential staffing implication of 5 FTE. If all Tranche 1, 2 and 3 proposals were approved, it would leave a remaining budget gap of £1.955m if nothing were to change. As advised the overall budget position may change when final funding and levy notifications are received.

Work is taking place to ensure that any budget gap can be addressed with the minimum impact on services and staff and any required actions will be included in future reports. The final budget position will be considered at the PVFM meeting on 21 January 2016, Cabinet on 11 February 2016 and the Budget Council meeting on 24 February 2016.

Members will recall that the Council is part of a GM Councils & Cheshire East business rates pool in 2015/16. The Council has the opportunity to potentially join with other Councils to form a business rates pool for 2016/17. The viability of this will not be known until after the announcement of the Provisional Local Government Finance Settlement. In order to comply with the timelines, delegation for decision making has been approved by Cabinet on 30 November 2015.

---

As a consequence of the 2015/16 business rates pool, in March 2015 Government announced a pilot scheme whereby the GM & Cheshire East pool could retain 100% of business rates growth subject to certain criteria. There are no downside risks to this pilot scheme but details of the allocation of any additional incentive to those in the pool are yet to be agreed. Cabinet of 30 November 2015 endorsed the pilot scheme approach and approved the delegation of decision making for the agreement of the income share.

## **Recommendations**

That Council:

- a) Approves £2.036m of Tranche 1 budget reduction proposals now that all consultation stages have been completed (presented in summary at Appendix 2 and in detail at Appendix 3).
- b) Approves £2.957m of Tranche 2 budget reduction proposals now that all consultation stages have been completed (presented in summary at Appendix 5 and in detail at Appendix 6).
- c) Notes £1.094m of Tranche 2 budget proposals that have yet to conclude consultation (presented in summary at Appendix 7 and in detail at Appendix 8).
- d) Notes that £1.343m of Tranche 1 budget reduction proposals have not concluded all the consultation stages and will be considered in the January/February cycle of budget meetings.
- e) Considers the information contained within the Equality Impact Assessments also included in Appendices 3, 6 and 8 supporting Tranche 1 and 2 proposals for approval and Tranche 2 for noting.
- f) Notes that the budget reduction target may need to be revised depending on future Government funding and policy announcements, including the Provisional and Final Local Government Finance Settlements for 2016/17.

---

## Budget Proposals 2016/17 & 2017/18

### 1 Background

- 1.1 Members will be aware that the Council's approach to budget setting has been to consider the financial challenge it is facing over a two year timeframe. In this regard, the financial strategy that has been agreed is to prepare a budget that addresses the estimated gap for the two year period 2016/17 and 2017/18. As would be expected at this stage, the emphasis of the budget process has been to prepare options to address the budget reduction target for 2016/17 in full detail. The estimated budget gap reported to and approved by Cabinet on 19 October 2015 and Council on 4 November 2015 was £18.194m. This had been revised downward from the previous reported gap of £29.489m.
- 1.2 The budget report approved in February 2015, included budget reductions that not only balanced the 2015/16 budget but also had implications for 2016/17 with a net impact of £9.398m. These 2016/17 implications were noted by Council but established the starting position for the current budget process of identifying required reductions. In line with practice in previous years, the Administration has considered budget proposals in Tranches. Tranche 1 proposals were considered by Members at the PVFM Select Committee meeting on 24 September 2015, with a total of £9.353m recommended to and subsequently approved at Cabinet on 19 October 2015. These have now been reported to Council at its meeting on 4 November 2015 where £5.974m of budget reductions were approved and, as consultation had not concluded on eight proposals totalling £3.379m, these items were noted.
- 1.3 This report presents for consideration the Tranche 2 budget reduction proposals as the next step in delivering a balanced budget for 2016/17, these having already been subject to scrutiny by PVFM and consideration at Cabinet.
- 1.4 Tranche 2 proposals were presented for scrutiny at the PVFM Select Committee on 3 November 2015 at an initial value of £4.131m, comprising of £3.891m of new proposals and B003 at a value of £150k having been deferred from Tranche 1. The Committee recommended the approval of the £3.981m of new proposals but with regard to proposal B003 (Public Protection Environmental Health Section of Public Health) requested that it be split into 2 elements:
- B003(a) at a value of £70k in relation to the Commercial Protection team
  - B003(b) at a value of £80k in relation to the Environmental Health Team
- 1.5 The Select Committee was content to commend B003(a) to Cabinet for approval but requested that B003(b) was considered as part of Tranche 3 and thus reviewed in the next cycle of budget meetings. Cabinet, at its meeting on 30 November 2015 was content to agree the recommendation of PVFM. As such, it is Tranche 2 proposals with a value of £4.051m that are being specifically presented to Council for consideration.
- 1.6 In addition, Members will recall that £3.379m of the Tranche 1 proposals were noted at Council on 4 November 2015 as consultation had not been completed at the time of the meeting. Consultation has now completed on £2.036m of these proposals and these are therefore presented for approval. The balance of Tranche 1 proposals totalling £1.343m will be presented at the February Council meeting. Those budget reduction proposals impacting on 2017/18 are simply for noting at this stage.

- 
- 1.7 All the proposals build upon the work that has been undertaken in previous financial years to address budget challenges. The budget process ensures that over the period to March 2018 there will be a firm financial base which will enable further service transformation to be delivered, providing budget reductions through improved processes and a continued long term efficiency programme. It will continue to provide the framework for enhancing relationships with citizens and partners supporting the agenda of a Cooperative Council.
- 1.8 It is important to note that the budget processes for 2016/17 and 2017/18 have to be considered within the context of significant on-going economic and policy changes at both a national and regional level. The Summer Budget Announcement on 8 July 2015 confirmed that £20 billion of additional public sector spending reductions would be required over the life of this Parliament. The Summer Budget did not quantify the detailed impact of the reductions to Local Government but the Government initiated a Comprehensive Spending Review (SR) to consider Government policy and related spending issues over the period to 2020.
- 1.9 The SR was amalgamated with the Autumn Statement and was announced by the Chancellor on 25 November 2015. The impact of the SR will be wide ranging but at this time it is not possible to assess the financial implications as the document contained high level information and no detail. Appendix 1 sets out some information on policy matters affecting Local Government that are likely to have an impact on Oldham. It will only be when the Provisional Local Government Finance Settlement (PLGFS) is released (expected mid-December) that the precise implications for 2016/17 can be understood. Some changes will not be introduced until 2017 or later and will be the subject of future consultation.
- 1.10 The SR included some new issues not previously anticipated and the Chancellor was assisted by the inclusion of some £27 billion of previously unanticipated income which has been used to reduce the severity of the overall package of measures to address the austerity agenda. However, it set out some fundamental changes to Local Government and its future financial arrangements including the:
- Ability of Local Authorities to retain 100% of their Business Rates and the assignment of yet to be notified additional responsibilities
  - Discontinuing of RSG, the main unringfenced grant received by Councils
  - Ability to levy up to a 2% Council Tax precept ringfenced to Adult Social Care
  - Expectation that Health and Social Care will integrate
  - Government's aim of ending Local Authorities' role in running schools with all schools becoming academies.

Some of these initiatives are likely to be phased in over time so it may take several years to see the full impact. However, a clearer picture will emerge when the PLGFS is announced and Government consultation papers are issued.

- 1.11 Of particular importance is the Greater Manchester (GM) devolution agenda, the development of which has continued at a pace since the two year budget for 2015/16 and 2016/17 was approved in February 2015. New services, including health and social care were included in the agreement and further responsibilities may transfer in response to the Governments Northern Powerhouse initiative. The SR document was comparatively silent on GM Devolution and further detail is expected in the PLGFS. However, the devolution agenda has already had a financial impact with the £300m GM Housing Fund becoming operational from the beginning of the financial year with £66.3m being committed to projects including £1.45m to construct twenty three-bed semi-detached

---

homes at a development in Oldham. There is still much work to do to fully determine the financial impact for the Council arising from devolution.

1.12 At a local level, the budget proposals have been framed by the Council's ambition for a cooperative future where everyone does their bit to create a confident and ambitious borough. There are three objectives that focus the activity of the Council in delivering in this ambition. These are:

- **A productive place** to invest where business and enterprise thrive;
- **Confident Communities** where everyone does their bit; and
- **Co-operative Council** delivering good value services to support a co-operative borough

These objectives reflect the on-going commitment for the Council and its partners to work with the residents of Oldham to bring about positive change and provide strong leadership for the borough.

1.13 The latest 2016/17 budget reduction requirement - which could reduce the previous budget gap - has been estimated by taking into account a number of issues including a net reduction in Government grant funding and Oldham Council funding pressures. These matters are subject to on-going review.

1.14 The following table sets out the budget gap as approved by Cabinet on 19 October 2015 and Council on 4 November 2015.



**Table 2 – 2016/17 and 2017/18 Budget Gap**

<b>Revised 2016/17 and 2017/18 Net Revenue Budget</b>	<b>2016/17 £m</b>	<b>2017/18 £m</b>
<b>Prior Year Net Revenue Budget</b>	<b>196.213</b>	<b>182.583</b>
- In year adjustments to base budget	(0.218)	<b>0</b>
- Approved Revisions to base budget	(2.596)	<b>0</b>
- Adjustment to Base Budget for previous years use of reserves		0.195
<b>Net Revenue Budget</b>	<b>193.399</b>	<b>182.778</b>
<b>Expenditure Pressures:</b>		
- Pensions	0.263	1.474
- Pay Award	0.917	1.000
- Inflation	1.110	1.880
- Investment Fund	0.000	1.682
- Business Plan	1.005	0.500
- Levies	0.000	1.544
- Increase in NI Charges	2.100	0.065
- End of Change to Terms and Conditions	0.000	2.000
- Fair Employment Charter	0.600	1.030
- Demand Pressures OCS Pensions	0.200	0.000
- Unity- Achievement of Prior Year Savings	0.196	0.000
- Independent Living Fund (ILF)	0.987	0.000
<b>Total Expenditure Pressures</b>	<b>7.378</b>	<b>11.175</b>
<b>Total Expenditure</b>	<b>200.777</b>	<b>193.953</b>
<b>Funded By:</b>		
- Business Rates Top Up	30.587	31.198
- Revenue Support Grant	34.140	20.475
- Housing Benefit and Council Tax Administration	1.378	1.241
- Council Tax Freeze Grant	0.926	0
- New Burdens - ILF Grant	2.013	1.799
- Central Education Service Grant	2.500	2.329
- New Homes Bonus	2.700	2.700
- Multiplier Cap/Settlement Funding Adjustment	0.854	0.854
- Adults Social Care	0.585	0
<b>Total Government Grant Funding</b>	<b>75.683</b>	<b>60.596</b>
- Retained Business Rates	29.980	29.980
- Council Tax Income	76.485	77.938
- Parish Precepts	0.239	0.239
- Collection Fund Surplus	0.196	0.000
<b>Revised Budget Funding</b>	<b>182.583</b>	<b>168.753</b>
<b>Net Gap/Budget Reductions Requirement</b>	<b>18.194</b>	<b>25.200</b>
Approved Use of Reserves	(0.195)	0.000
<b>Budget Reductions to Find after Use of Reserves</b>	<b>17.999</b>	<b>25.200</b>



- 
- 1.15 To assist with identification of the budget reductions required, targets were set for each of the Council's Directorates, with an Executive Director as the responsible lead for each area. The initial targets were allocated using an agreed calculation to ensure budget reductions would be identified proportionately across the Council's Service budgets. Using this approach has enabled the identification of the budget reduction proposals and these are being presented for consideration and approval in three Tranches.

## 2 Current National Position

- 2.1 Following the banking crisis of 2008, the country faced a severe economic challenge. The economy moved into recession, unemployment increased and this led to a need for long term restructuring of the economic base of the UK. The country only moved out of recession in quarter three of 2012 and economic growth is now increasing although the quarter 3 growth figures for 2015 indicate a slower rate than forecast. This means significant financial challenges still remain which will impact on the Council.
- 2.2 When the Coalition Government came into power in 2010 it anticipated that it would have reduced the actual deficit to £37 billion by the end of the financial year 2014/15. In its successive financial assessments during the last Parliament this figure was consistently revised by the Coalition Government. This trend has continued as set out in the Summer Budget of the Conservative majority Government which was elected on 7 May 2015. The Government indicated that austerity measures would be required for a further four years with a potential proportionately higher impact on Local Authorities and public spending (such as welfare) than other areas of the public sector such as health. Some aspects of these reductions such as reducing working family tax credits are proving to be controversial with a successful challenge in the House of Lords to measures agreed in the House of Commons. However, the recent SR has indicated that the welfare reform related savings will be achieved but over a longer period of time and using a different approach than had initially been envisaged.
- 2.3 A key strand of the Government's strategy to reduce the national deficit remains to reduce public sector expenditure especially in unprotected areas such as Local Government. The impact of this has already been felt with the national announcement that the Public Health Grant has been reduced by £200m across all Local Authorities in 2015/16, the direct impact on Oldham being a loss of £1.057m. Further reductions in funding were confirmed in the SR but the detailed impact will be announced in the Provisional Local Government Finance Settlement in December 2015.
- 2.4 A further four financial years of funding reductions until 2019/20 will result in the austerity regime covering a total period of ten financial years. The impact of austerity and these spending reductions will mean a further reduction in Government grant funding. The withdrawal of Revenue Support Grant (RSG), the Councils main unringfenced grant funding source, was confirmed in the SR. It is therefore expected that by 2019/20 the Council will no longer receive RSG but that a small residual Government grant may instead be payable. To illustrate the impact this will have on the Council and the services it can provide, RSG received by the Council in 2013/14 was £85m and with funding from this one grant expected to have disappeared over a 5 year period, it will leave a considerable gap in financing. Although Government anticipates locally generated funding (Council Tax and Business Rates) should make good this shortfall, this will be challenging in Oldham given the comparatively low tax bases, unless there is some form of Government support. The consultation papers (when released) outlining the 100% Business Rates Retention scheme will be of significance for Oldham.
- 2.5 The Government set out its legislative programme in the Queens Speech presented on 27 May 2015. This will result in further changes to the role of, and arrangements for Local

---

Authorities. Key changes in the national policy and landscape are outlined below and include:

- Full Employment and Welfare Benefits Bill - This Bill is designed to achieve full employment and provide more people with the security of a job through the creation of 2 million more jobs and 3 million new apprenticeships. The legislation will also implement a planned reduction in the welfare cap, a freeze on working age benefits and amendments to benefit entitlement for 18-21 year olds.
- Enterprise Bill - This Bill will seek to reduce regulation on small businesses in a bid to boost job creation. The Bill will also create the Small Business Conciliation Service to help settle disputes between small and large businesses. In addition to this the government aims to improve the business rate system by 2017 and cap public sector redundancy payments.
- Tax lock commitment - National Insurance Contributions/ Finance Bill - This wide-ranging Bill is designed to enact a series of tax pledges made by the Conservatives during the general election campaign, specifically that there would be no rise in Income Tax rates, VAT or National Insurance before 2020. It will also raise the threshold before people pay Income Tax to £12,500.
- Childcare Bill - The Childcare Bill includes measures to help working people by increasing the provision of free childcare. This will increase the level of free childcare to parents to 30 hours a week for 38 weeks of the year. This was confirmed in the SR announcement.
- Housing Bill - This Bill plans to support home ownership by extending the right to buy scheme for social housing tenants in England. There will also be help for first time buyers with 200,000 starter homes being made available at a 20% discount. This was confirmed in the SR announcement.
- Energy Bill - Measures will be introduced to increase energy security and ensure there will be affordable and reliable energy for businesses and families. The Government proposes to establish the Oil and Gas Authority as an independent regulator and would transfer responsibility for giving consent for any offshore wind farms in England and Wales from Whitehall to local planning authorities.
- Trades Union Bill - The main elements of the Bill are a 50% voting threshold for union strike ballot turnouts, and a requirement that 40% of those entitled to vote must back action in essential public services - health, education, fire and transport. There will also be the introduction of "a transparent opt-in process for the political fund element of trade union subscriptions".
- Education and Adoption Bill - This Bill is designed to raise standards in schools. Under the plans, new powers would be brought forward to speed up the process of changing a failing school's leadership and turning it into an academy. The Bill will also give the Secretary of State for Education new powers to force local councils to hand over their responsibilities for adoption to another authority or agency.
- Cities and Local Government Devolution Bill - This paves the way for powers over housing, transport, planning and policing to be devolved to England's cities as part of Government plans for "a balanced economic recovery". Cities that want them will be able to have elected mayors.

- 
- Buses Bill - This Bill would provide the option for Combined Authority areas with directly-elected mayors to be responsible for the running of their local bus services.

Each of these measures will have an impact on the Council which will have to be managed within the financial planning framework.

2.6 One of the most significant impacts on Oldham will come from the further welfare reforms that are planned. Although some proposals have recently been challenged, the SR confirmed that welfare reforms will be implemented over the life of the Parliament. The latest available national and local research, data and information, suggests the estimated cumulative loss to Oldham through the initially proposed changes over the next 4 years is over £40m. If all are eventually fully implemented, the worst affected 2000 families in the borough stand to lose more than £3,800 per year as a result of the reforms. Many people will be impacted by more than one change. It is therefore not possible to produce one single figure for the number of Oldham residents likely to be impacted. Indications are that:

- Over 10,000 residents are likely to be impacted by JSA (Jobseeker's Allowance), Universal Credit (UC) and ESA (Employment and Support Allowance) freezes.
- More than 31,000 households to be impacted by child benefit freezes.
- Approximately 23,000 households to be impacted by tax credit changes.
- Approximately 93,000 residents to be affected by changes to Income Tax and National Insurance.
- Over 2,800 residents to be affected by changes to the minimum wage.
- Approximately 8,700 residents to be affected by changes to housing benefit.

2.7 The Government has also announced the defined increases to the National Minimum Wage within the Summer budget. A minimum wage of £7.20 per hour will be introduced from April 2016 for those aged 25 and over. The Government's ambition is for the National Minimum Wage to increase to over £9 per hour by 2020. As the Council currently pays in accord with the higher National Living Wage championed by the Living Wage Foundation there is no immediate financial impact of this decision. To date the National Living Wage rate, which is reviewed every November, has increased by proportions exceeding the Local Authority national pay awards. Accordingly, in delivering against its' commitment to keep pace with the higher National Living Wage, the Council's established pay line and differentials between job roles of different value will come under direct pressure from April 2016. Modelling is therefore in progress to quantify impact for 2016/17 in order to inform the decision about future alignment with the National Living Wage and, if appropriate, the methodology by which this would be achieved. It is the practice of the Living Wage Foundation to notify increases each year rather than give future projected changes and members will be given opportunity to consider also optional strategic forecasting and models, up to 2020, to assess the potential impact of long term alignment with the National Living Wage. In addition, there is a need to take into account the issue of schools and Oldham Trading Group alignment with Council pay rates, where we remain the employer and there will be legal Services input to the work which addresses this.

2.8 Work is already in progress to assess the impact of the Government's plans for the National Minimum Wage on Council budgets specifically in relation to social care provision. Although less critical to suppliers of technical and professional services, it remains essential to monitor the impact of the National Minimum Wage rate on both Council budgets and small businesses in the borough and the potential for small firms to be driven out of business by having to pay the higher costs. Furthermore, the difficulties for at least some suppliers and local businesses to afford the higher still National Living Wage rate represents a very real challenge to the Council's commitment to Fair

---

Employment and, within this, to improve the terms and conditions of employment of residents and employees across the Oldham Borough.

2.9 As elsewhere in the country, the global banking crisis directly impacted a high proportion of our residents resulting in high levels of unemployment, sanctions and youth unemployment. Whilst nationally over the last year unemployment has fallen, the impact in Oldham has been more severe than the national picture. A recent economic analysis assessing the impact on Oldham residents identifies for the month of September that:

- Employment rates in Oldham seem to have reached a plateau and for the month of October have increased.
- The unemployment rate in Oldham at 3.1% is the highest rate across Greater Manchester.
- There are significant differences in the unemployment rates between electoral wards with unemployment in Coldhurst at 6.8% being much higher than the lowest ward of Saddleworth North at 1%.
- The youth unemployment rate in Oldham of 6.9% is the highest across Greater Manchester.

2.10 By continuing investment in the Get Oldham Working initiative and working with employers across the borough, the Council is striving to provide opportunities to reverse these trends.

### 3 Oldham Council Cooperative Position

3.1 Although times are challenging to Oldham Council and the Local Government sector as a whole it is important to consider significant positive outcomes in the borough and the Council's key achievements over the past twelve months. These include:

- Finding budget reductions of £35m to balance the budget in 2015/16
- Breaking our own financial speed and accuracy benchmarks when we published our 2014/15 final accounts
- Oldham's A-Level pass rate for 2015 being above national average
- The Get Oldham Working team announcing in September that so far this year 3,025 job related opportunities had been created, smashing the original target of 2,015 by the end of 2015
- 50 local companies having signed up to the Fair Employment Charter which encourages employers across Oldham to provide fair, ethical and sustainable job opportunities for their employees
- The launch of the Education and Skills Commission to help raise local standards and aspirations so that every child can achieve their full potential.
- Grassroots sport in Oldham receiving a significant boost following the re-opening of five refurbished playing pitches, and changing rooms at Crossley Playing Fields, Chadderton
- The Oldham Dementia Action Alliance, led by Oldham Council and Oldham NHS Clinical Commissioning Group, established more than 2,500 dementia friends across the borough
- Introducing the national living wage for Oldham Council staff
- Introducing the selective licencing scheme for private landlords to crackdown on rogue landlords and irresponsible tenants
- Approving 74 grant applications to support businesses in the Independent Quarter
- Attracting 24 new businesses to locate in the Independent Quarter
- Signing a deal with M&S to be the anchor tenant in the Prince's Gate development at Oldham Mumps

- Opening of the new £8m sports centre for Royton (opened 28 September)
- Opening of the new £15m Oldham sports centre (opened 27 November)
- The Freezing of Council Tax in 2015/16 for the second consecutive year – despite continuing pressures on budgets

#### 4. The Council's Ambition and Priorities

4.1 The Council's ambition is to deliver a co-operative future for Oldham, where everyone does their bit to create a confident and ambitious borough. The new Corporate Plan was approved by Full Council in May 2015, and whilst the majority of the corporate objectives remain unchanged there were a number of corporate outcomes added which help in defining our ambition for Oldham. They are as follows:

##### A productive place where business and enterprise thrive

- **Open for business:** We'll make Oldham a place to invest and do business
- **A regenerated borough:** We'll bring forward key regeneration projects to grow the business base, create jobs and transform Oldham into a vibrant borough
- **A working borough:** We'll work with partners to create job opportunities for local people ranging from training opportunities and apprenticeships to quality jobs that pay a decent wage. Through the Education and Skills Commission we will work with partners to improve education and skills outcomes for all our young people, giving them the best possible preparation for adulthood and the world of work.

##### Confident communities where everyone does their bit

- **Confident and involved communities:** We'll work with residents and partners to create a co-operative borough where everyone does their bit and understand the issues affecting people in Oldham and campaign to get a fairer deal for residents.
- **Healthy communities:** We'll work proactively with residents and partners to promote healthy, independent lifestyles.
- **Safe, strong and sustainable communities:** We'll work with residents and partners to create cohesive communities which are well cared for, safe and which have decent homes.

##### A co-operative council delivering good value services to support a co-operative borough

- **Getting the basics right:** We'll deliver the services we are responsible for efficiently and ethically and listen to resident feedback to ensure their satisfaction with services
- **Responsible with resources:** We have a capable, motivated and healthy workforce and use all our resources responsibly to deliver services in-house or, when needed commission services, which have public service, quality outcomes and value for money at their heart.
- **Reforming and empowering public services:** We'll work with communities, partners and Districts across the borough and Greater Manchester to reform public services and encourage innovation, leading to even better outcomes and service delivery.



- 
- 4.2 As an organisation, a co-operative approach provides the opportunity to find positive and sustainable solutions to the on-going financial challenges being faced. Oldham has a values driven approach which underpins the way we do business. The Council believes in the importance of fairness and responsibility. In practice, that means maximising the positive social, economic and environmental impact that we can achieve through everything we do as set out in our values. From our procurement practices to our pay policy, the Council is using its influence as a commissioner, service provider, facilitator and employer to deliver that added social value.
- 4.3 Working with communities at a neighbourhood level we are continuing to enable residents to take greater control over their own lives and over the services and amenities that matter most to them. Power and responsibility is being devolved, and support given to people to do more to help themselves and each other. By building greater resilience and self-reliance, the Council is enabling individuals and communities to make positive choices to change their lives and their neighbourhoods for the better – whether that means small choices that make a big difference, like putting litter in the bin instead of dropping it on the street, or making a big change, like taking control of local services.
- 4.4 In delivering the Council's ambitions and priorities it is essential that a strong identity for Oldham is established, supported by the strong identity of Districts and neighbourhoods. This includes developing the role and strengths of neighbourhoods and Districts and developing their identity and role within the overall borough. It also includes a strong role for Oldham within the Greater Manchester (GM) sub-region, particularly given the current devolution initiative taking place within GM.
- 4.5 The Council is committed to developing a different relationship with citizens, partners and staff. This means being a Council that listens, responds and engages as locally as possible and has strong civic and community leadership.
- 4.6 The Council values the dignity of work and is striving to improve the productivity of our communities. The Get Oldham Working (GOW) initiative has significantly overachieved on its ambition to create 2,015 job opportunities by 2015. However, youth unemployment remains at the highest level within Greater Manchester. Worklessness, in particular the number of young people who are not in education, employment or training is a serious concern. It drives social exclusion as well as having a negative impact on the productivity of the borough and its communities. The Council continues to provide opportunities through the GOW initiative to address this.
- 4.7 The Council has developed an exciting portfolio of opportunities demonstrating Oldham is open for business by using resources to attract and secure significant additional investment. Progress on our regeneration programme continues with work completed on both the Royton and Oldham Leisure Centres and well advanced in turning the Old Town Hall into an 800-seater ODEON cinema.
- 4.8 Transformational approaches to delivery of services that work in partnership with citizens are essential. The Council must significantly reconfigure its business and organisational arrangements over the next few years in order to continue to provide value for public money services. The financial challenges faced mean the Council's response must be more ambitious than simply applying percentage reductions across services.
- 4.9 As a Cooperative Council services are being re-designed and innovative commissioning models developed to ensure that all our services, whether delivered in-house or with partners, provide excellent and improving value for public money getting the maximum impact for Oldham and its people for every pound spent. The Council will be organised in

a way that enables it to meet the challenges from Central Government whilst also delivering the Administration's priorities.

4.10 The need to take cost out and make budget reductions will be a key driver for the foreseeable future. Therefore, continued financial prudence in the management of our affairs remains essential. Significant budget reductions have been delivered, a total of £176m of reductions over the period 2009/10 to 2015/16. A robust approach to managing the budget means we are one of a limited number of Authorities who have identified and agreed at Council budget options for 2016/17 before the end of the calendar year 2015.

## 5. Financial Position

### Financial Resilience

5.1 Oldham is well positioned to adapt and adjust to meet the new financial challenges in respect of 2016/17 and future financial years. The Audit Findings Report produced by the External Auditor for the 2014/15 Statement of Final Accounts gave an unqualified Value for Money Conclusion and highlighted (based on the position prevailing at that time) "that,

- the Council has effective arrangements in place which enabled it to deliver its challenging £23m of savings in 2014/15
- the Council continues to face challenges in the future with the need to achieve an estimated £94m of further savings over the next three years"

5.2 This report also highlighted the improvement in assessed financial resilience of the Council on the six potential risk areas which are assessed at the year-end.

**Table 3 – Auditor's View of Financial Resilience**

Theme	Summary Findings	RAG rating 2013/14	RAG rating 2014/15
Key indicators of performance	"The Council's key financial indicators remain reasonably good overall....."	Amber	Green
Strategic financial planning	"The Medium Term Financial Strategy shows realism regarding the financial challenges facing the Council, in particular the £94M of savings required over the next three years. Members and Officers share a good understanding of the financial issues facing the Council and there are strong arrangements in place....."	Green	Green
Financial Governance	"The Council has effective financial governance arrangements in place with a good understanding of the Council's financial environment and proposals for responses to risks identified.  Revenue budget and Capital Programme reporting is clear and comprehensive. Revenue monitoring is reported to the	Green	Green



	Cabinet and Overview and Scrutiny Value for Money Select Committee throughout the year and facilitates a good level of challenge, including reviewing any potential impact on service performance.”		
Financial Control	<p>“The Council has a good track record of achieving savings targets and remaining within budget and delivered its Challenging £23m savings plan for 2014/15. The Council has set a budget which does not anticipate needing to use available balances.</p> <p>The Cabinet is updated on a monthly basis on the progress of directorates against savings plans. Budget and financial reporting delivers to a prompt timescale at all levels and the Council is looking to further improve this through the introduction of the A1 project which integrates financial management, HR and Payroll systems and facilities ‘self-service’ to the Council’s Business Units.</p> <p>Key financial systems are reviewed regularly by Internal Audit and findings are reported promptly to the Audit Committee, with particular focus for any systems where controls weaknesses are identified. This is regarded as an important part of ensuring that the financial systems can be relied upon to produce accurate budget reporting as well as annual financial statements.”</p>	Green	Green
Prioritising resources	<p>“The Council continues to be effective in challenging the cost effectiveness of existing services as well as challenging the way services are delivered to achieve maximum value from reducing financial resources. The MTFs and budget Plan’ demonstrate how it prioritises the funding of services in accordance with the Council’s Corporate Objectives. Transformational Service Plans are in place for key services, e.g. Adult Social Care and demonstrate how these schemes address corporate priorities.</p> <p>The Council is investing in capital schemes to improve the borough’s leisure facilities and redevelop the Old Town Hall and is planning further schemes to boost economic activity in the Borough. The Council’s Capital Strategy demonstrates how these developments are driven by the Council’s Corporate Plan.”</p>	Green	Green

Improving efficiency and productivity	<p>“Council understands its cost base. It has achieved good levels of efficiency and productivity and reductions in the workforce have not had substantial impact on service provision.</p> <p>Transformational Service Plans are already being implemented in key areas to improve efficiency, through internal efficiencies and also through Integrated Commissioning.”</p>	Green	Green
---------------------------------------	---	-------	-------

- 5.3 The ratings for 2014/15 were all ‘Green’ for the first time and demonstrated the improvement between 2013/14 and 2014/15 and reinforced the sound financial position of the Council. The Council will aim to retain these ratings from the External Auditor and demonstrate not only good value for money but also continued strong financial management and resilience.

### 2015/16 Budget Position

- 5.4 The starting point for the consideration of the 2016/17 budget is the current 2015/16 budget position. Since the 2015/16 budget report was presented to Council, there have been a number of further funding allocations and amendments. These are detailed in the table below as reported in the month 6 Revenue Monitoring report which was approved at the Cabinet meeting on 30 November 2015. The budget for 2015/16 has therefore increased to £206.004m and this is therefore the revised base budget for 2016/17.

**Table 4 – Revised 2015/16 Net Revenue Budget**

Month 6	2015/16 £m	2015/16 £m
Net Revenue Budget as at 25 February 2015		<b>195.800</b>
Adjusted for use of reserves		0.195
Adjusted Net Revenue Budget		<b>195.995</b>
<b>New One-Off Grant Funding Received</b>		
Revised Notification of General Grant Funding (including a Multiplier Cap Adjustment)	0.265	
Special Education Needs and Disability Regional Lead	0.055	
Staying Put Grant	0.039	
Welfare Reform Grant	0.054	
New Burdens Funding - Deprivation of Liberty	0.120	
New Burdens Funding - Land Searches	0.057	
New Burdens Funding - Independent Living Fund	2.244	
Capital Grants	7.370	
Adjustment to Use of reserves	(0.195)	
Total One Off Budget Adjustments		10.009
<b>Total Revised Net Revenue Budget</b>		<b>206.004</b>

---

## Revised 2016/17 and 2017/18 Budget Position

- 5.5 As in previous years the process for addressing the budget gap has used the forum of Leadership Star Chamber, which is a tried and tested methodology allowing the detailed review and examination of budget options so that there is clear Cabinet Member support for proposals before their submission for public consultation and scrutiny. Leadership Star Chamber meetings are chaired by the Leader of the Council with support from Cabinet Members and Senior Officers and allow the consideration of budget issues and proposals.
- 5.6 The budget has been reviewed by Directorate area with proposals put forward for consideration. The Directorate areas reviewed are as follows:
- Health and Wellbeing
  - Cooperatives and Neighbourhoods
  - Economy and Skills
  - Corporate and Commercial
  - Chief Executive and Policy and Governance
- 5.7 Work has also been undertaken to prepare cross cutting budget proposals where possible. Member support for proposals has been demonstrated by pro-formas bearing the signatures of the relevant Cabinet Member.

### Budget Proposals for 2016/17

- 5.8 Council will recall that its meeting on 4 November 2015 it considered Tranche 1 budget reduction proposals of £9.353m of which proposals totalling £5.974m were approved. In addition, it was agreed that eight budget reduction proposals totalling £3.379m, where staff and public consultation was still to conclude, would be brought back for consideration with Tranche 2 proposals to this Council meeting. Five of these budget reduction proposals at a value of £2.036m (FTE impact of 15) are therefore included in this report for further consideration by Council, consultation processes now having been finalised with documentation amended accordingly. There are three proposals for which consultation has not yet concluded, totalling £1.343m as set out below and these proposals will now be deferred until the January/February cycle of Cabinet and Council meetings.

**Table 5 – Tranche 1 Proposals Deferred to January/February**

Reference	Brief Detail	2016/17 (£'000)	FTE 2016/17	2017/18 (£'000)
C001	Business Support Redesign	350	15.0	0
E004	Mental Health	843	1.5	0
E007	Workforce Redesign	150	5.0	0
	<b>Total Tranche 1 Proposals Deferred to February Council</b>	<b>1,343</b>	<b>21.5</b>	<b>0</b>

- 5.9 A further £3.981m of budget reduction proposals have been identified as Tranche 2 and after scrutiny by the PVFM Select Committee are presented to Council for approval, together with proposal B003(a) at a value of £0.070m in relation to the Commercial

Protection Team. As such, it is Tranche 2 proposals with a value of £4.051m that are being specifically presented to Council for consideration.

- 5.10 Included within the £4.051m proposals that are to be considered are four proposals for which consultation has not yet concluded. It is therefore requested that these four proposals are deferred to the January/February cycle of budget meetings and that Council simply note them at this point in time. The total value of these four proposals is £1.094m (FTE impact of 64.5), detail of which is set out in the table below:

**Table 6 – Tranche 2 Proposals Deferred to January/February**

Reference	Budget Reduction Proposal	2016/17 (£'000)	FTE 2016/17
E010	Adult Services - Income Maximisation	192	3.0
E012	Local Area Coordination - A different approach to Adult Social Care	674	27.0
D006	Home School Transport	148	3.0
D007	Reduced Support for Council Operated Day-care Centres	80	31.5
	<b>Total Tranche 2 Proposals Deferred to February Council</b>	<b>1,094</b>	<b>64.5</b>

- 5.11 The total Tranche 2 proposals recommended for approval is £2.957m as set out in the table below:

**Table 7 – Tranche 2 Proposals**

Budget Reduction Proposal	2016/17 (£'000)
Tranche 2 Proposals for Consideration	4,051
Less Tranche 2 Proposals to be noted and Deferred to February Council	1,094
<b>Tranche 2 Proposals Recommended for Approval</b>	<b>2,957</b>

- 5.12 In total, therefore, budget reduction proposals of £4.993m (£2.036m deferred from Tranche 1 and £2.957m Tranche 2) are presented for approval at this meeting. Assuming these are approved, then £10.967m will have been agreed prior to Christmas.
- 5.13 The Tranche 2 S188 notice starting the 45 day formal consultation with the recognised Trade Unions was issued on 5 October 2015 has now concluded.
- 5.14 On 16 November 2015, a S188 notice was issued to the recognised Trades Unions which set out budget reduction proposals of £2.560m. These will form Tranche 3 of the Administration's budget reduction proposals and will be presented for scrutiny by the PVFM Select Committee on 21 January and then for approval at subsequent Cabinet and Council meetings.

- 5.15 The table below shows the current budget position for 2016/17 and 2017/18 taking into account the revised budget reduction gap and assuming all Tranche 1, 2 and 3 proposals are agreed

**Table 8 Current Budget Position 2016/17 and 2017/18**

<b>Budget position</b>	<b>2016/17 £m</b>	<b>2017/18 £m</b>
<b>Prior Year Net Revenue Budget</b>	<b>206.004</b>	<b>182.583</b>
Adjustment – 2015/16 one off changes	(10.009)	
<b>Revised Prior Year Net Revenue Budget</b>	<b>195.995</b>	<b>182.583</b>
Adjustment to Base budget	(2.596)	0.195
Total Expenditure Pressures:	7.378	11.175
<b>Total Expenditure</b>	<b>200.777</b>	<b>193.758</b>
<b>Total Government Grant Funding</b>	<b>75.683</b>	<b>60.596</b>
Retained Business Rates	29.980	29.980
Council Tax Income	76.724	78.177
Collection Fund Surplus	0.196	
<b>Revised Budget Funding</b>	<b>182.583</b>	<b>168.753</b>
<b>Initial Budget Gap</b>	<b>18.194</b>	<b>25.200</b>
Approved use of Reserves	(0.195)	0.000
Tranche 1 Budget Reductions – Approved	(5.974)	(0.137)
Tranche 1 Budget Reduction Proposals – For approval at December Council	(2.036)	(0.013)
Tranche 1 Budget Reduction Proposals – Deferred to February Council	(1.343)	0.000
Tranche 2 Budget Reductions – For Approval at December Council	(2.957)	(0.033)
Tranche 2 Budget Reductions – Deferred to February Council	(1.094)	0.000
Proposal B003(b) – Deferred to February Council	(0.080)	0.000
Tranche 3 Budget Reductions – For consideration at February Council	(2.560)	(0.046)
<b>Budget Gap Still to be Addressed</b>	<b>1.955</b>	<b>24.971</b>

- 5.16 As set out above, the budget gap has not yet been closed, however work is taking place to ensure that this can be addressed with the minimum impact on services and staff and any required actions will be included in report presented in January/February. As outlined in Section 8 of the report, there are still many vital pieces of information that are not yet available and these must be received before the overall budget position for 2016/17 can be finalised and so the position is still subject to change.
- 5.17 Attached at Appendix 2 is the consolidated list of those Tranche 1 budget proposals that were noted at the Council meeting on 4 November 2015 and are now presented for approval. These total £2.036m with a FTE impact of 15 which was included in the S188 notice issued on 16 September 2015.
- 5.18 Appendix 2 also highlights the Tranche 1 proposals that have had a detailed Equality Impact Assessment (EIA) carried out prior to any decision being made. These proposals total £1.889m.

- 
- 5.19 Appendix 3 presents the detailed Tranche 1 budget reduction proformas and EIA documents for consideration.
- 5.20 Appendix 4 sets out the consolidated list of Tranche 2 budget proposals for consideration by Council. These total £4.051m with staffing reduction impact of 80.5FTE. Of this total, a 78.5 FTE reduction was included on the S188 notice issued on 5 October 2015 with a 2 FTE reduction having been included on the S188 notice issued on 16 September 2015.
- 5.21 Attached at Appendix 5 is the list of Tranche 2 budget proposals for approval at the Council meeting totaling £2.957m with a FTE impact of 16. Appendix 5 also presents which of these proposals have had detailed Equality Impact Assessment (EIA) carried out prior to any decision being made. These proposals total £1.797m.
- 5.22 Appendix 6 presents the detailed Tranche 2 budget reduction proformas and EIA documents for consideration.
- 5.23 Appendix 7 presents the schedule of Tranche 2 budget reduction proposals for noting at the Council meeting totalling £1.094m with a FTE impact of 64.5. All four of these proposals will have detailed Equality Impact Assessments (EIA) carried out prior to any decision being made.
- 5.24 Appendix 8 presents the proformas and draft EIA documents for consideration in relation to Tranche 2 proposals for noting.

## **6. New Responsibilities**

- 6.1 Members will recall that the February 2015 budget report set out a range of new duties and responsibilities that the Council is required to undertake in 2015/16 and future years. An update on these new responsibilities and the impact upon the revenue budget is shown below together with information on Business Rates Pooling and Business Rates Retention schemes.

### **Better Care Fund**

- 6.2 The Better Care Fund (BCF) aims to transform local services to provide better integrated care and support. Clinical Commissioning Groups (CCG's) and Local Authorities must jointly agree how the funds are spent, so it is essential to ensure the fund is developed in the interests of both parties. The financial year 2015/16 introduced some significant developments including the requirement under BCF pooled fund arrangements for a Section 75 agreement which recognises financial contributions, service provision requirements and service quality risk in relation to pooled budgets.
- 6.3 In 2015/16 the Oldham share of the BCF was £16.036m (revenue) and £1.549m (capital). The revenue funding was allocated to Oldham CCG as part of the pooling arrangements and £9.895m has been transferred to the Council as per the BCF agreement. Part of the funding is subject to satisfactory performance of agreed objectives and steps are being taken to ensure objectives are delivered.
- 6.4 The SR announcement by Government indicated BCF arrangements will continue in 2016/17 and introduced additional BCF resources with effect from 2017 with potentially a national increased sum of £1.5 billion being made available from 2017 to 2020. At this stage, the implications for Oldham cannot be determined.
- 6.5 The Council's Medium Term Financial Strategy (MTFS) currently assumes the same BCF revenue allocation in 2016/17 as 2015/16.



---

## **Independent Living Fund**

- 6.6 The Independent Living Fund (ILF) ceased at the end of June 2015 and its functions transferred to Local Authorities. The Council has been allocated £2.244m additional funding for the nine months July 2015 to March 2016. This included a five percent funding reduction but was in line with financial plans. This will have a neutral impact in 2015/16 with spend matching resources. Over the remainder of the financial year the service is conducting reassessments of all users who were in receipt of ILF funding and aim to replace ILF with payments of a single individual budget. At present it is assumed from 2016/17 the ILF funding will be reduced in line with the main Revenue Support Grant cuts. The revised budget assumptions for 2016/17 include increased expenditure of £3m with compensating grant of £2.013m.

## **Care Act**

- 6.7 The Council received a Care Act Implementation Grant of £1.088m in 2015/16 to fund the implementation of phase one of the Care Act, from April 2015, and to help prepare for phase two in 2016. Phase two of the Care Act has been put on hold until 2020. It is therefore uncertain whether the 2015/16 level of funding will be forthcoming in 2016/17. The Council's MTFs had prudently assumed a fifty percent reduction in this grant from 2016/17 which is in line with current expectations.
- 6.8 The SR confirmed the Government's commitment to implement the 'Dilnot' social care reforms with funding provided in 2019/20 to cover the costs of Local Authorities preparing for these changes. The cap on reasonable care costs and extension of means tested support will then be introduced and funded from April 2020.

## **Public Health**

- 6.9 The Council took responsibility for the commissioning of 0-5 health visitor services and the services linked to an all age early help offer when the functions transferred from NHS England on 1 October 2015. Grant of £2.164m to support these new duties will be received in 2015/16 and will form part of the ring-fenced public health grant. It will be matched by an equivalent expenditure budget, thus having a neutral impact on the Council's finances.
- 6.10 On 4 June 2015, the Chancellor of the Exchequer announced savings of £200m from this year's public health grant. This decision affects the whole of the Council's 2015/16 public health funding of £17.079m (which includes part year funding of £2.164m for 0-5 children's public health service). The Department of Health has consulted Local Authorities on the most appropriate method for implementing this national savings proposal and announced its decision on 5 November 2015. In line with its preferred option, every Local Authority's 2015/16 allocation will be reduced by a straight line 6.2% which means an in-year cut of £1.057m for the Council. This is now expected to mean a cut in funding of £1.193m from 2016/17. It is assumed any reduction can be managed without any impact on the budget position for 2016/17.
- 6.11 On October 8 2015 the Government issued a consultation paper on the allocation of Public Health Grant for 2016/17. The proposed revision to the grant allocation formula would have a significant impact if it is introduced reducing funding for Oldham from 0.26% of the total national grant to 0.22%. The consultation period has now closed and the actual funding notification will not be known until later in 2015 or early 2016. Again, it is currently assumed any reduction can be managed without any impact on the budget position for 2016/17, but this will depend on the final funding position.



---

## **Business Rates Pooling**

- 6.12 Members will be aware that as a result of the change to the Business Rates regime, it is possible for a group of Councils to form a business rates pool. The purpose of pooling business rates across the individual Authorities is not intended to alter the income level of an individual Authority but to retain any levy that might be payable by certain members of the pool. Any sum gained would be retained by the pool.
- 6.13 Councils in Greater Manchester have considered this in both 2013/14 and 2014/15 but the matter was not pursued as it was not considered to be a viable proposal given the volatility around business rates income especially with regard to the position on business rates appeals.
- 6.14 However, Members will recall that that the position for 2015/16 was such that an application for the pooling of business rates was submitted to and agreed by the Department of Communities and Local Government (DCLG) on behalf of the Greater Manchester Council's and Cheshire East Council. Manchester City Council administers the pool and any proceeds are to be retained for investment within Greater Manchester and other non Greater Manchester pool member Councils. It will be July 2016 before the actual value of any benefits can be finally calculated as all Councils must have finalized their accounts before the assessment can be made and also given the complexities of the methodology to determine shares between Councils and the DCLG
- 6.15 At this stage it is anticipated that the Government will continue with pooling arrangements in their current format for 2016/17. In accordance with timelines for previous years, the DCLG has indicated that a provisional expression of interest in a 2016/17 pooling arrangement should be submitted by 31 October 2015. In order that the opportunity was not lost, the ten Greater Manchester Councils, Cheshire East and this year also Cheshire West and Chester Councils have submitted an expression of interest. This provides a mix of tariff and top-up Councils in order to maximize any gain.
- 6.16 A key requirement of pooling is that each Authority will need to make a decision on whether it wishes to confirm its involvement in a 2016/17 pool within 28 days of the issue of the Provisional Local Government Finance Settlement. The Settlement could have an impact of the financial position of each Council thus making pooling not economic. At this time it is expected that the Settlement will be announced in the week beginning 14 December 2015. As a decision would not fit within the Cabinet reporting timeframe, Cabinet, at its meeting on 30 November 2015 agreed that the decision on whether Oldham Council should be part of the pooling arrangement could be delegated to the Cabinet Member for Finance and HR, in consultation with the Executive Director Corporate and Commercial Services and the Director of Finance.

## **Business Rates Growth Retention**

- 6.17 As a result of an initiative announced in the March Budget by the Chancellor of the Exchequer, the Greater Manchester and Cheshire East Business Rates pool has been asked to pilot a new scheme in 2015/16 for the retention of 100% of business rates growth. This complements the goal of achieving fiscal devolution for Greater Manchester. The Combined Authority has provided assurances that there are no downside financial risks for districts associated with the scheme.
- 6.18 The new scheme is working alongside the existing district and pooling arrangements for 2015/16. It is designed to capture all business rates growth across the city region without any additional downside risks that would be associated with reduced business rates income.

- 
- 6.19 The new scheme has the following characteristics:
- Growth will be measured against an agreed baseline based on district NNDR1 returns (submitted to DCLG in January 2015);
  - After the current financial year, the growth baseline for future years will be adjusted to reflect the annual change in business rate multiplier (inflation) plus 0.5% as a stretch target for growth;
  - Income will be measured using NNDR3 outturn returns to DCLG adjusted for changes in provisions for appeals;
  - To maximise the potential for growth, additional income will be measured on a district by district basis;
- 6.20 It has been anticipated that additional growth of 1% per annum over and above the baseline and stretch target could generate over £35m to pool members in three years, but as yet, there are still on-going discussions to determine how any additional income would be allocated and invested to promote growth priorities within the region.
- 6.21 Due to the on-going discussions, Cabinet agreed at its meeting on 30 November 2015 to endorse and agree the Business Rates retention scheme and to delegate authority to the Cabinet Member for Finance and HR, in consultation with the Executive Director Corporate and Commercial Services and the Director of Finance to work with the GMCA Treasurer and other district Treasurers to finalise the detailed arrangements for the operation of the scheme.
- 6.22 As with the standard business rates pooling process, it will be July 2016 before the actual value of any benefits can be finally calculated given the complexities of the methodology used and the requirement for a reconciliation of the business rates position between Councils and the DCLG. A report will be requested from the GMCA detailing how any additional revenues generated will support the promotion of Greater Manchester's growth and reform strategies.

## **7. Devolution**

- 7.1 As highlighted in section 1 of this report, devolution will clearly have a significant impact on the management and financing of the Council going forward, however at this stage of the budget process, Devolution is being treated as being financially neutral. The SR did not include anything of significance with regard to GM devolution but further information may be issued with the Provisional Local Government Finance Settlement. There is still a substantial amount of work to take place to finalise all the arrangements and as a clearer picture emerges, this will be factored into future budget reports as appropriate.

## **8 Next Steps in the Budget Setting Process**

- 8.1 There are still some key stages to be completed in the budget setting process for 2016/17. As a result the budget gap may be affected by a number of issues still to be determined and finalised. These issues include (but are not restricted to) the following:
- The issue of the Provisional Local Government Finance Settlement 2016/17 (mid December)
  - Other Local Government Funding changes
  - Variations in the Council Tax and Business Rate Tax Bases
  - The announcement of the GM Waste Disposal Authority and GM Combined Authority Levies for 2016/17 (confirmed January/February 2016)

- Revisions to budget pressures arising from local issues or recent Government policy announcements
- 8.2 The most important announcement now awaited is the Provisional Local Government Finance Settlement. This is expected either on or before 17 December. This will give definitive funding allocations for 2016/17 and possibly indicative allocations for future years. Until this is received, all Government grant and related figures must remain as best estimates.
- 8.3 The lateness of the receipt of information leaves little time to revisit the budget if the announcements vary significantly from estimated figures. Any revisions can only therefore be included in the final budget report presented to the 24 February 2016 budget meeting.
- 8.4 Whilst Oldham Council is progressing in the preparation of its 2016/17 budget, clearly much depends on key financial information yet to be received from Central Government as outlined above. The budget setting timetable, whilst framed by the statutory requirements is working towards a budget Council meeting where all final decisions are made on 24 February 2016. Table 6 below shows the timelines from November 2015 onwards for the 2016/17 budget approval process and reports that will be prepared for consideration at each meeting.

**Table 9 – Budget Setting Timetable**

Date	Body/Issues	Action / Implication
07/12/2015	12 week public consultation ends	All proposals within Tranche 2
16/12/2015	Council	Approval of 2016/17 options (Tranche 2) and progress on 2017/18 proposals
Mid/late December	Notification of the Provisional Local Government Finance Settlement	Review of implications and update of budget position
11/01/2016	S188 Staff Consultation period ends	All proposals within Tranche 3
21/01/2016	Performance and Value for Money Overview and Scrutiny Select Committee (PVFM)*	Scrutiny of 2016/17 budget report and any amendments to the proposals (including Tranche 3 Proposals) and budget gap for recommendation to Cabinet*
25/01/2016	Cabinet	Setting of Council Tax and Business Rates Tax bases
25/01/2016	12 week public consultation ends	All proposals within Tranche 3
Early February	Notification of the Final Local Government Finance Settlement	Review of implications and update of final budget position
11/02/2016	Cabinet*	Recommendation to Council of Tranche 3 proposals and final budget report*
24/02/2016	Council*	Amendments to any proposals and budget gap if any late changes and approval of final Council budget setting report*

\* These meetings will also consider reports on the Medium Term Financial Strategy, Capital Programme and Capital Strategy, Treasury Management Strategy and Housing Revenue Account Budget

---

## **9 Options/Alternatives**

9.1 There are two options Council may recommend:

Option 1 – Council can approve all the budget proposals included in this report to the value of £4.993m and note additional proposals to the value of £1.094m.

Option 2 – Council can request that further work is undertaken on some or all of the budget proposals and that a decision on proposals is deferred.

## **10 Preferred Option**

10.1 The preferred option is that Option 1 is approved and that £4.933m of budget reduction proposals are approved.

## **11 Consultation**

11.1 The presentation of these proposals forms part of the detailed consultation stage of the 2016/17 budget process.

11.2 Since 5 August 2015 the Council has been consulting the public about its budget challenge and about how we can work together to meet that challenge.

11.3 The Council commissioned an update of the short video used as part of the budget challenge campaign for 2015/16. This year we have focused on the need for co-operative working to help us reduce the impact of any reduction in services delivered by the Council. The video also asks residents to get involved in an online discussion about how the Council should spend its budget and invites them to share their budget reduction ideas. The video has been promoted via social media and the Council's website and since its launch on 5 August has already had more than 284,318 views.

11.4 Further engagement is being encouraged through the introduction of a budget consultation portal. Specific questions have been developed detailing key services and what percentage of the budget is spent on them. We are inviting residents and staff to participate in this short questionnaire to advise on which services they use the most, which they think we should protect, and which they think we could spend less money on. This questionnaire will provide us with key information as to whether the services most used by residents will drive their decision on whether or not to protect them or to reduce spend on them.

11.5 To further share the scale of the budget challenge with residents, we are developing in-house a Value for Money video to highlight the cost of services and how this equates to the cost of Council Tax payments. This is scheduled to go-live in early December pending approval.

11.6 To ensure we do not exclude residents who do not use digital channels we have included budget messaging in our resident newsletter, Borough Life, distributed in October and in a two page feature in the Oldham Evening Chronicle. Both of these offered a tear-off reply slip asking for feedback and ideas.

11.7 We also engaging with staff about our budget challenge, requesting them to share their budget reduction ideas through an internal poster campaign, via the intranet staff forum and direct to the 'Ask the Chief' and Internal Comms mailboxes.

- 
- 11.8 Wherever possible we will respond directly to comments and suggestions offering further information about council spend and services.
- 11.9 Alongside the Council's public consultation around the 2016/17 budget challenge, we are also engaging in specific consultation around the budget reductions where there is an impact on the local community. Where appropriate the feedback received will be reflected in the EIAs. The website information around the proposals included a link to a 'mailbox' for additional comment. There is ongoing current consultation with affected groups including staff and service users for those proposals having a frontline impact such as the reduction for residential accommodation for looked after children due to the introduction of the adolescent support unit. There has also been consultation with key partners including the Clinical Commissioning Group, provider organisations and the Voluntary and Community Sector (VCS).
- 11.10 In respect of public and user/carer consultation the Council's aim of reducing dependence on statutory services has been a factor particularly in instances where service users are more vulnerable.
- 11.11 Voluntary Sector partners have been actively involved in the work around reducing the commissioning and grant funding activity for VCS organisations.

## **12 Financial Implications**

- 12.1 Dealt with in the detail of this report.

## **13 Legal Services Comments**

- 13.1 The Council has a legal obligation to pass a resolution to pass its budget and Council Tax resolutions by March 2016. Appropriate statutory consultation is taking place in respect of the proposals. (Colin Brittain)

## **14 Co-operative Agenda**

- 14.1 The Council will ensure that its budget setting process addresses the repositioning of the Council as a Co-operative Council linking to Oldham's ambition for a Co-operative Future.

## **15 Human Resources Comment**

- 15.1 High level union and staff engagement on Tranche 2 options commenced on the 8 September 2015 in order to give an overview of where savings were being considered and the Council's initial thoughts on how these may be delivered.
- 15.2 The S188 document starting formal consultation on the Tranche 2 proposals was issued to the recognised trade unions on the 5 October 2015 and started the minimum 45 day formal consultation process and has been ongoing since that date. Consultation will need to have ended by 11 December 2015 to allow for full consideration of any comments or alternatives submitted by unions or staff to be considered in advance of, and where relevant presented to this Council meeting.
- 15.3 Proper and meaningful consultation will have to be exhausted in advance of the approval and subsequent implementation of any new arrangements. Where consultation has not been completed, consideration must be given to moving final approval to the Council meeting in February in order to ensure meaningful consultation based on complete proposals takes place. As detailed in the report this will be the case for 3 x Tranche 1 options; namely E004, E007 and C001, and for 4 x Tranche 2 options; namely D006,

---

D007, E010 and E012 where due to either the complexity of the option has meant that public and /or staff consultations are not completed.

15.4 The S188 document shows a potential 78.5 FTE job losses in Tranche 2, which together with the 58.0 FTE identified in Tranche 1 amounts to 136.5 FTE to date. It is anticipated that the number of compulsory redundancies will be mitigated by deletion of relevant vacancies and seeking voluntary options in the first instance.

15.5 The unions have been updated on the revised budget gap position and welcomed the reduction.

15.6 Tranche 3 options were presented to the unions on the 26 October 2015 for early engagement, with the S188 formal consultation meeting taking place on the 16 November 2015. This showed an additional 5.0 FTE post reduction.

15.7 People Services and the HR Advisory Service within Unity will continue to work with the Directorates to ensure that the proper process is followed and that the staff and unions have the opportunity to share their views and have input on the final outcomes. (Sally Blackman)

## **16 Risk Assessments**

16.1 The Council has a statutory obligation to set a balanced budget. This report sets out a number of options by which the Council proposes to set its budget for 2016/17. Failure to agree a balanced budget will expose the Council to the risk of future censure by its external auditors. (Mark Stenson)

## **17 IT Implications**

17.1 Many of the budget proposals require the more efficient use of existing computerised systems. Any costs associated with any improvements to systems have been factored into the net budget reductions put forward.

## **18 Property Implications**

18.1 Any impacts on asset management have been factored into the proposals identified or will be dealt with as part of the previously approved asset management strategy.

## **19 Procurement Implications**

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

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

20.1 Environmental and Health and Safety implications will be taken into account when dealing with the individual proposals as appropriate.

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

21.1 In taking financial decisions the Council must demonstrate that it has given “due regard” to the need to eliminate discrimination, promote equality of opportunity and promote good relations between different groups.



- 
- 21.2 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;
  - 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 we must be clear where this is the case, and must be able to demonstrate that we have consulted, understood and mitigated the impact.

- 21.3 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;
  - Set out arrangements for monitoring the actual impact of the proposal.

21.4 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

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

### **Oldham’s approach to assessing the impact**

21.6 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.



- 
- 21.7 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;
  - implement a stronger equality monitoring and management process to ensure that we follow through on what we said we would do. This includes identifying risks to implementation and how these will be managed.
- 21.8 Where complete, the final EIAs have been included. Where public consultation is currently ongoing, draft EIAs have been included for consideration. No EIA is considered complete until public consultation has finished.
- 21.9 The equality impact assessment process undertaken for the Council's budget process involves:
- An initial equality impact screening – The budget proposal action plan forms completed by each Director / Service Manager incorporate an initial equality screening to identify whether any proposal has the potential for significant disproportionate adverse impact in respect of any protected characteristic i.e. whether the impact of the proposal falls disproportionately on any particular group – such as people with a disability.
  - The initial screenings are then independently reviewed by a small group with knowledge of the equality legislation, comprising of the Cabinet Member for Social Care and Safeguarding, a senior officer from the Co-operatives & Neighbourhoods directorate, a lawyer from the Legal Services team, two senior officers from Commissioning and a senior officer from People Services.
- 21.10 The key aims of this review process are to:
- assess the potential equality impact of each proposal using the information provided.
  - provide challenge to those where the Group feel the initial screening does not accurately identify those equality groups potentially affected and that a further screening process needs to be completed.
- 21.11 Full equality impact assessment – An equality impact assessment is carried out if the initial screening identifies that the proposal could have a potential significant, disproportionate adverse equality impact.

#### **Involving elected members**

- 21.12 A key element to assessing the equality impact has been the involvement of elected members. This involvement has included:
- Cabinet Member for Social Care and Safeguarding sits on the Equality Challenge Group.
  - Consideration of equality impact throughout the Leadership Star Chamber process, including through the initial screenings on the proposal forms and a briefing paper.
-

- 
- Briefings between Executive Directors and Cabinet Members during development of proposals and working together to consider the equality impacts and identify any mitigating actions.
  - Both the EIA screening information contained with the budget proposals and the EIA forms themselves, where available, are submitted to, and considered by PVFM Select Committee. NB: Where public consultation is required and is ongoing, the EIA forms are still in draft form at this stage.
  - Final EIAs are made available to Members alongside the budget proposals in the Council papers.

21.13 The Council in adhering to the legal requirements is already completing EIAs and progress will be reported on these throughout the budget preparation as it was last year.

## **22 Equality Impact Assessment Completed**

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

## **23 Key Decision**

23.1 Yes

## **24 Key Decision Reference**

24.1 CFHR-18-15

## **25 Background Papers**

25.1 The following is a list of 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 the Act:

File Ref: Background papers are contained in Appendices 1 to 8  
Officer Name: Anne Ryans  
Contact No: 0161 770 4902

## **26 Appendices**

26.1

Appendix 1 – Commentary on the Spending Review and Autumn Statement – 25 November 2015  
Appendix 2 – Summary of deferred Tranche 1 Budget Reduction Proposals to approve  
Appendix 3 – Budget proposals and EIAs in relation to Appendix 2  
Appendix 4 – Full Summary of Tranche 2 Budget Reduction Proposals  
Appendix 5 – Summary of Tranche 2 Budget Reductions to approve  
Appendix 6 – Budget Reduction Proposals and EIAs in relation to Appendix 5  
Appendix 7 – Summary of Tranche 2 Budget Reduction Proposals to Note  
Appendix 8 – Budget proposals and EIAs in relation to Appendix 7