

## Report to Council

# Budget Report 2016/17

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### Reason for Decision

This report presents to Council the current Administration budget and budget proposals for 2016/17 having regard to the impact of the Local Government Finance Settlement (LGFS) and other financial issues. The report also sets out the current position in relation to the budget for 2017/18.

### Executive Summary

Members will recall that reports were presented to Council in November and December 2015 outlining progress towards addressing the 2016/17 budget gap. Council subsequently approved budget reduction proposals of £5.974m on 4 November 2015 and a further £4.993m on 16 December 2015. Therefore, a total of £10.967m of proposals have already been agreed towards bridging the revised 2016/17 budget gap of £18.194m.

This report presents to Council, the updated budget position after the receipt of the LGFS and also the final tranches of the Administration's detailed proposals.

This report also includes budget reduction proposals from Tranche 1 (£1.193m) and Tranche 2 (£1.244m) that could not be approved at Council on 4 November or 16 December as consultation processes had not concluded. As consultation processes have now progressed for these proposals, these are now being presented for approval having regard to changes that have now been made to the proposals arising from the consultation process.

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

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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 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 was wide-ranging but did not detail implications for Oldham. Some proposed 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 availability 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 Revenue Support Grant (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 Local Government Finance Settlement was announced on 8 February 2016 and confirmed the grant funding allocations announced as part of the Provisional Local Government Finance Settlement which was received on 17 December. This allowed the budget projections to be updated with actual Government grant notifications rather than assumptions. Although all levies have now been confirmed, there is still some outstanding grant information but no significant changes are now expected and the budget exercise can be completed. The Local Government Finance Settlement confirmation from the DCLG is presented at Appendix 12.

Clearly, the planning assumptions have been revised in the light of the LGFS which included funding figures for 4 years rather than the one year that had been anticipated. Council Tax Freeze Grant has been removed; grants have been rolled into RSG and more favourable funding allocations given to Councils with a low Council Tax Base and Adult Social Care and Children's Services responsibilities. It introduced new concepts of spending including the Core Spending Power (CSP) and has contrasted resources available to each Local Authority on this basis. CSP assumes all Councils will increase Council Tax by 1.75% and that a 2% Council Tax Social Care precept will be charged to support increased costs of Adult Social Care. On this basis, the Council has changed its Council Tax assumptions to increase Council Tax for general purposes by 1.70% (slightly below that expected by Central Government) and introduce the 2% Adult Social Care Precept. This will not trigger a Council Tax referendum.

The expected Council Tax levels for 2016/17 having regard to the proposed Council increase, together with the confirmed position for the Police and Crime Commissioner for Greater Manchester, the Greater Manchester Fire and Rescue Authority and the Parish Councils for Saddleworth and Shaw & Crompton are set out in section 12 of the report and Appendix 10.

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Taking revised funding assumptions and revisions to Council estimates of existing budget resilience issues into account; it has increased net resources available by £5.093m. There is therefore no longer the requirement to address the £1.955m remaining budget reduction target for which no proposals had been prepared in anticipation of the outcome of the LGFS and the Council is able to address budget resilience issues totalling £3.138m which previously had no permanent solution but had not been included in budget estimates.

All budget reduction proposals included within this report were presented for scrutiny at the Overview and Scrutiny Performance and Value for Money (PVFM) Select Committee on 21 January 2016. Each of the proposals was examined in detail with questions and comments being put forward by Committee Members. As a consequence, the Select Committee was content to commend all for consideration by Cabinet, as follows:

- outstanding Tranche 1 pro-forma budget reduction proposals together with Equality Impact Assessment (EIAs) documents as necessary in the sum of £1.193m for 2016/17 (Appendices 1 and 2)
- outstanding Tranche 2 pro forma budget reduction proposals together with EIA documents as necessary in the sum of £1.244m for 2016/17 (Appendices 3 and 4)
- Tranche 3 proposals presented to Cabinet for the first time in the sum of £2.560m with an FTE impact of 5 together with proposal B003b with a FTE impact of 3 which was taken back to Cabinet for further consideration (a total of £2.640m) (Appendices 5 and 6).

On 11 February 2016 Cabinet considered and approved the outstanding Tranche 1 and 2 budget reduction proposals and the Tranche 3 proposals at a total of £5.077m.

All proposals have been the subject of a S188 notice issued to recognised Trades Unions (Tranche 1 on 16 September, Tranche 2 on the 5 October and Tranche 3 on 16 November). 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
- Corporate and Commercial
- Chief Executive and Policy and Governance

If all these remaining budget proposals are approved, then the budget can be balanced.

It should be noted that although there is no change to budget reduction proposals, the reports presented to the PVFM Select Committee and Cabinet were based on information available prior to the receipt of the Final Local Government Finance Settlement and some grant notifications.

Also included at Appendix 13 of the report is the proposed Fees and Charges schedule for 2016/17 which is a key element of the budget process.

The finalised 2016/17 position also informs the projected budget position for 2017/18 for which the current remaining budget reduction requirement is £20.464m.

Members will recall that the Council is part of a GM Councils & Cheshire East business rates pool in 2015/16. The Council had the opportunity to potentially join with other Councils to form a business rates pool for 2016/17. The viability of such a proposal could not be known until

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after the announcement of the LGFS. In order to comply with the timelines, delegation for decision making was approved by Cabinet on 30 November 2015. A delegated decision was made on 11 January 2016 and the Council will therefore be part of the GM Councils, Cheshire East & Cheshire West and Chester business rates pool for 2016/17.

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. This pilot arrangement will be applied to the 2016/17 business rates pool.

Included at Appendix 14 is the Pay Policy Statement. This Statement sets out the Council's approach to pay policy in accordance with the requirements of Section 38 to 43 of the Localism Act 2011. The purpose of the statement is to provide transparency with regard to the Council's approach to setting the pay of its employees.

### **Recommendations**

It is recommended that Council approves the:

- a) Revised budget position for 2016/17 having regard to the Local Government Finance Settlement.
- b) Net revenue budget for 2016/17 for the Council set at £190.653m.
- c) A Council Tax increase of a total of 3.70% resulting in charges as set out in Appendix 10.
- d) Total draw on the Collection Fund for major preceptors of £90.344m for Borough Wide services and £78.588m for Council services.
- e) Remaining Tranche 1 budget reduction proposals now that all public consultation stages have been completed (presented in summary at Appendix 1 and in detail at Appendix 2) in the sum of £1.193m.
- f) Remaining Tranche 2 budget reduction proposals now that all consultation stages have been completed (presented in summary at Appendix 3 and in detail at Appendix 4) in the sum of £1.244m.
- g) Tranche 3 budget reduction proposals (presented in summary at Appendix 5 and in detail at Appendix 6) in the sum of £2.640m.
- h) Information contained within the Equality Impact Assessments also included in Appendices 2, 4 and 6 supporting Tranches 1, 2 and 3.
- i) The revised budget reduction target for 2017/18 of £20.464m.
- j) Fees and Charges schedules at Appendix 13.
- k) Pay Policy Statement at Appendix 14.

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That Council Notes;

- 1 There is no requirement to hold a referendum on the change in the Relevant Basic Amount of Council Tax.
- 2 The budget reduction target for 2017/18 may need to change as a result of developments during 2016/17.

## Budget Proposals 2016/17 & 2017/18

### 1 Background

- 1.1 Members will recall 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 within the overall Medium Term Financial Strategy (MTFS) five year timeframe. As would be expected the emphasis of the budget process has been to prepare proposals 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 were 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 Tranche 2 proposals were considered by Members at the PVFM Select Committee on 3 November 2015, with a total of £4.051m recommended to and subsequently approved at Cabinet on 30 November 2015. These were reported to Council at its meeting on 16 December 2015 where £2.957m of the Tranche 2 proposals were approved and, as consultation had not concluded on four proposals totalling £1.094m, these items were noted. Five of the eight proposals deferred from Tranche 1 totalling £2.036m were also approved at the 16 December 2015 Council meeting as consultation had then completed. In total, £4.993m of budget reduction proposals were approved at the 16 December Council meeting.
- 1.4 This report presents for consideration and approval the Tranche 3 budget reduction proposals totalling £2.640m (summarised at Appendix 5 and in detail at Appendix 6) together with the Tranche 1 and Tranche 2 proposals that have yet to be approved. Tranche 1 proposal E007 (Workforce Redesign) at a value of £0.150m has been reviewed and amalgamated with the Tranche 2 proposal E012 (Local Area Co-ordination) at a value of £0.674m. This revised proposal (E012a) is within Tranche 2 at a combined total of £0.824m. Taking these amendments into account, therefore two deferred Tranche 1 proposals are now presented for further consideration and approval at a value of £1.193m, together with four Tranche 2 proposals at a value of £1.244m.
- 1.5 As such it is Tranche 3 proposals with a value of £2.640m, together with deferred Tranche 1 and Tranche 2 proposals with a value of £2.437m (summarised at Appendices 1 and 3 and in detail at Appendices 2 and 4) that are being specifically presented to Council for approval. If approved, these budget reductions, together with those already approved, address £16.044m of the budget reduction target. When the

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£0.195m use of reserves is considered, it left £1.955m still to be found when compared to the £18.194m target. It was agreed that no proposals to address this £1.955m gap would be prepared until Government grant funding announcement in the form of the Provisional Local Government Finance Settlement had been received.

- 1.6 The report therefore presents the updated budget for 2016/17 and 2017/18 having regard to the LGFS received on 8 February 2016, the £10.967m Administration budget reduction proposals for 2016/17 that have already been approved and the £5.077m proposals now presented for consideration and approval.
- 1.7 All proposals included within this report were presented for scrutiny at the Overview and Scrutiny Performance and Value for Money (PVFM) Select Committee on 21 January 2016. Each of the proposals was examined in detail with questions and comments being put forward by Committee Members. As a consequence, the Select Committee was content to commend all for consideration by Cabinet. On 11 February 2016 Cabinet subsequently approved all the budget reduction proposals and commended them to Council.
- 1.8 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.
- 1.9 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 which have influenced the LGFS. 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 Spending Review (SR) to consider Government policy and related spending issues over the period to 2020.
- 1.10 The SR was amalgamated with the Autumn Statement and was announced by the Chancellor on 25 November 2015. The impact of the SR was wide ranging but at the time of the announcement it was not possible to assess the financial implications as the document contained high level information and no detail. It was only when the Provisional LGFS was released on 17 December 2015 that the precise implications for 2016/17 could be understood.
- 1.11 The SR included some new issues not previously anticipated and the Chancellor was assisted by the availability 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.

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Some changes will not be introduced until 2017 or later and will be the subject of future consultation. Whilst some of the initiatives are likely to be phased in over time, it may take several years to see the full impact.

- 1.12 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, however, it 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 and this will become more evident over time.
- 1.13 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 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.

- 1.14 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 which have been presented for consideration and approval in three Tranches.
- 1.15 As advised previously, on 8 February 2016 the Government announced the Local Government Finance Settlement which confirmed the grant funding allocations announced as part of the Provisional Local Government Finance Settlement on 17 December 2015. The figures within this report reflect the updated information arising from the contents of the LGFS. Although reductions in Central Government funding have continued, the Government made some major changes to the way that resources are allocated. The Settlement on the whole has resulted in a more favourable financial position than had been anticipated as explained in section 6. The Greater Manchester Combined Authority (GMCA) has now confirmed its transport levy and non transport contributions for 2016/17. Levy figures for Greater Manchester Waste Disposal Authority (GMWDA), the Environment Agency as well as Precepts have also been confirmed. The LGFS, additional grant notifications and confirmed positions of the various levy and precepting bodies results in the budget reduction proposals contained within the report being sufficient to produce a balanced budget without the requirement to address the £1.955m previously anticipated gap.



1.16 The following table sets out the budget gap as approved by Cabinet on 19 October 2015 and Council on 4 November 2015. This is the starting point from which to consider developments arising from the LGFS.

**Table 1 – 2016/17 and 2017/18 Revised Budget Gap (Approved November 2015)**

<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)	0
- Approved Revisions to base budget	(2.596)	0
- 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 Budget Reductions	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 Grant	1.378	1.241
- Council Tax Freeze Grant	0.926	0.000
- 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 Grant	0.854	0.854
- Adults Social Care Grant	0.585	0.000
<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>

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## 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. The economy expanded by 0.5% in the three months to the end of December 2015, following growth of 0.4% between July and September, according to the Office for National Statistics (ONS). GDP growth for 2015 as a whole stood at 2.2%, which was weaker than the expansion of 2.9% in 2014 and the Office for Budget Responsibility's forecast of 2.4% in November 2015. 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 proved to be controversial with a successful challenge in the House of Lords to measures agreed in the House of Commons. However, the SR 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 was initially 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 was not available until the receipt of the Provisional LGFS.
- 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 for the Council. The withdrawal of Revenue Support Grant (RSG), the Councils' main unringfenced grant funding source, was confirmed in the SR. 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 by 2020/21, 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 for both areas, 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 Queen's 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:

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- Welfare Reform and Work Bill - This Bill details the requirement for the Secretary of State to report on progress towards full employment and apprenticeships targets; the effect of support for troubled families; social mobility; the benefit cap; social security and tax credits; loans for mortgage interest and to social housing rents. The Bill is currently in the latter stages of the legislative process with the next meeting scheduled for late February 2016.
  - 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 Act - This wide-ranging legislation is designed to implement 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. The Finance Act 2015 received Royal Assent on 18 November 2015 whilst the National Insurance Contributions (Rate Ceilings) Act 2015 received Royal Assent on 17 December 2015.
  - 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 and Planning 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.
  - Trade 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.

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- Cities and Local Government Devolution Act 2016 - 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. Royal Assent was gained on 28 January 2016.

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

### **Government Policy Impact on Oldham**

2.6 One of the most significant impacts on Oldham will come from the further welfare reforms that are planned. Although some proposals were 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 2,000 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 also announced an increase to the National Minimum Wage to £7.20 per hour for those aged 25 and over, branded as a National Living Wage in the Summer budget. The Government's ambition is for this National Living Wage to increase to over £9 per hour by 2020. As the Council currently pays in accord with the higher National Living Wage as championed by the Living Wage Foundation, there is no immediate financial impact of this decision. To date the Foundation's 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, although resources have been included in the budget to address anticipated requirements. Modelling is therefore in progress to quantify the impact in order to inform the decision about future alignment with the Living Wage Foundation's National Living Wage and, if appropriate, the methodology by which this would be achieved.

2.8 It is the practice of the Living Wage Foundation to notify increases each year rather than give future projected changes and Members will also be given the opportunity to consider 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.

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- 2.9 Work has already taken place to assess the impact of the Government's plans for the National Minimum Wage on Council budgets in the longer term, 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. It is worth noting in this regard that Oldham has the highest number of jobs (21,000) paid below the living wage than any other GM borough. This is equivalent to 33.7% of all local jobs in the annual wage survey.
- 2.10 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 December that:
- Unemployment has increased by 85 claimants over the November figure. As of December 2015 there were 4,270 unemployed people in Oldham.
  - The unemployment rate in Oldham at 3.0% is the joint highest rate across Greater Manchester and higher than the national average of 1.7%.
  - There are significant differences in the unemployment rates between electoral wards with unemployment in Coldhurst at 6.5% being much higher than the lowest ward of Saddleworth North at 0.8%.
  - The youth unemployment rate in Oldham of 6.2% is the highest across Greater Manchester.
- 2.11 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 for 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 that as of December time 3,507 job related opportunities had been created in 2015, 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 2015)
- Opening of the new £15m Oldham sports centre (opened 27 November 2015)
- 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:

**Table 2 Corporate Objectives**

##### **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 educations 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.

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## 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.

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- 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 have been made 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 to identify and agree 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	<p>“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.</p> <p>Revenue budget and Capital Programme reporting is clear and comprehensive. Revenue monitoring is reported to the 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.”</p>	Green	Green
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</p>	Green	Green

	upon to produce accurate budget reporting as well as annual financial statements.”		
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 8 Revenue Monitoring report which was approved by Cabinet on 11 February. The budget for 2015/16 has therefore increased to £207.412m and this is therefore the revised base budget for 2016/17. The month 8 projection is that the Council will have an overall underspend of £445k at the end of 2015/16 so this will not have any impact on the overall 2016/17 budget position. There are, however, some specific areas of the budget with adverse variances where permanent management solutions have not proved sustainable. These will be addressed in the 2016/17 budget as outlined at section 11.

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

Month 8	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	8.778	
Adjustment to Use of reserves	(0.195)	
Total One Off Budget Adjustments		11.417
<b>Total Revised Net Revenue Budget</b>		<b>207.412</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.
- 5.8 All previous budget reports to PVFM, Cabinet and Council have been prepared using the most up to date information available. Members will recall that until the LGFS was received, the financial position was subject to change. The LGFS has now advised of actual grant funding levels, thus replacing previous estimates. Although there are still some grants to be confirmed, most grants and all levy notifications have been received. This has enabled the budget to be moved forward to the final stage.

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## **6 Local Government Finance Settlement (LGFS)**

### **Provisional Settlement**

- 6.1 The 2016/17 Provisional LGFS was released on 17 December 2015. It was issued by the Secretary of State for Communities and Local Government the Rt. Hon. Greg Clark MP, setting out the Government's formal proposals for funding English Local Authorities for 2016/17.
- 6.2 The Government has provided Settlement figures covering 4 financial years, 2016/17 to 2019/20 in an aim to assist financial planning, enable more effective planning of service delivery and support strategic collaboration with partners. There is however only certainty in relation to 2016/17. Future year's figures will be amended in accordance with future events including the transfer of new responsibilities. If the Council wishes to take up the Government's offer of a four year funding settlement up to 2019/20 it would have to produce an efficiency plan, of which there is currently no detail.
- 6.3 The Council submitted a response to the 17 consultation questions issued by the Government alongside the Provisional LGFS detail. The consultation period closed on 15 January 2016 and the Council's response which was largely supportive of the contents of the settlement as it provided a less severe reduction in Government funding than had been anticipated (as outlined later in the report).
- 6.4 The Provisional LGFS confirmed the key messages of the Spending Review and Autumn Statement, namely:
- a) Councils will be required to make efficiencies but will have new powers to generate growth in their areas. By the end of the Parliament, Local Government will retain 100% of business rates revenue to fund local services
  - b) The system of top ups and tariffs which redistribute business rates revenues between Councils will be retained but Uniform Business rates will be abolished allowing any local area to cut business rates as much as they like in an aim to generate new jobs and wealth
  - c) Elected city-region mayors will be able to add a premium to business rates to pay for new infrastructure provided they have the support of the local business community
  - d) Revenue Support Grant will be phased out and additional responsibilities devolved to Councils, empowering them to drive local economic growth and support their local communities
  - e) The Government will consult on options to transfer responsibility for funding public health from business rates rather than via a ring fenced grant
  - f) Responsibility may also be passed to Councils to support older people with care needs and Government will consult on this to seek the right model for the operation of this new function
  - g) The introduction of the ability for Councils to levy a 2% increase in Council Tax to fund Adult Social Care

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- h) Increases to the Better Care Fund of £1.5bn effective from 2017/18
  - i) Reform to the New Homes Bonus scheme
  - j) Providing freedom to Councils to use capital receipts to fund reform of services
- 6.5 Some of these issues impact on the financial position for 2016/17 and some will take effect in future financial years. Where possible, the MTFS incorporates the anticipated implications of the introduction of these initiatives.

### **Final Settlement**

- 6.6 The Final Local Government Settlement was received on 8 February 2016. This provided confirmation of the grant funding allocations originally received on 17 December 2015 as part of the Provisional LGFS with no change for Oldham. The notification from Central Government setting out key Settlement information is presented at Appendix 12.
- 6.7 The LGFS did however provide an update on the following issues:
- The offer of a four-year settlement was repeated, but no further information has been released although Authorities now have until Friday 14 October 2016 to apply.
  - There will be transitional assistance to Authorities with the biggest RSG reductions in the first two years of the settlement totalling £150m per annum over the two years. This has no direct impact on Oldham's funding but has benefitted many Councils including southern Shires
  - Rural services delivery grant will be further increased. This has no direct impact on Oldham's funding.
  - The Government will undertake a revision of needs formula in the lead up to 100% business rate retention.

### **Overall allocations**

- 6.8 The national Settlement Funding Assessment (SFA) figures used by Central Government show all the Government funding included in the Settlement for 2016/17. For all of England, the SFA is set at £18.601m as illustrated in Table 5. This is an overall reduction from £20.758m in 2015/16, a change of £2.157m (9.62%) and highlights the extent of the funding being withdrawn from the SFA.

The SFA is comprised of Revenue Support Grant and Baseline Funding (Business Rates assumed to be used by Local Authorities in budget setting and Business Rates Top Up Funding). By using an assumed figure for Business Rates, this does not in reality reflect the true resources available to the Local Government sector.

**Table 5 - National SFA**

	Total SFA for England			
	2016/17 £m	2017/18 £m	2018/19 £m	2019/20 £m
Settlement Funding Assessment of which:	18,601	16,624	15,559	14,653
Revenue Support Grant	7,184	4,982	3,573	2,284
Baseline Funding Level	11,417	11,642	11,986	12,369

As can be seen, the Government had provided financial information for four financial years, when a one year settlement had been expected. The Oldham SFA is shown in Table 6. The figures for 2016/17 can be taken as definitive. The figures for future years are indicative at this stage.

**Table 6 - Oldham SFA**

	Total SFA for Oldham			
	2016/17 £m	2017/18 £m	2018/19 £m	2019/20 £m
Settlement Funding Assessment of which:	99.840	90.891	85.847	80.937
Revenue Support Grant	40.543	30.428	23.600	16.701
Baseline Funding Level	59.297	60.463	62.247	64.236

### Settlement Core Funding

- 6.9 The Government has provided greater protection in funding allocations for those Council's providing adult social care and children's services. It has introduced a new concept, Settlement Core Funding which is comprised of Council Tax income and SFA. Using this concept, the Government has allocated Central Government funding in such a way that ensure Councils delivering the same set of services receive the same percentage change in Settlement Core Funding (SCF). Councils providing the same services as Oldham have had a reduction in SCF of 6.5%. This change in methodology has seen the Council receive more RSG than was initially anticipated.

### Core Spending Power

- 6.10 In a development of Settlement Core Funding, the Government has introduced a new benchmark of Council spending, Core Spending Power (CSP). This is another new concept and the Government's assessment of Oldham's CSP for 2016/17 is £181.932m, moving to £188.063m by 2019/20. This is shown in table 7 below.

**Table 7 - Oldham Core Spending Power**

	Core Spending Power for Oldham				
	2015/16 £m*	2016/17 £m	2017/18 £m	2018/19 £m	2019/20 £m
Core Spending Power	188.639	181.932	179.236	183.072	188.063

\* adjusted to methodology

As shown above, the Government has prepared a comparative CSP figure for 2015/16 which shows the Government's view that spending has reduced by 3.56% between 2015/16 and 2016/17.

- 6.11 The CSP does not directly align to the way the funding for the Oldham budget is calculated, as it makes assumptions about local spending decisions. The contrast between Oldham Council 2016/17 budget assumptions reported to Council in December and the CSP is shown below.

**Table 8 - Comparison of Oldham Council to Government Core Spending Power Calculations**

	Budget Report (Council report 16/12/15)	Settlement CSP	Variance
	£m	£m	£m
Revenue Support Grant	34.140	40.543	6.403
Retained Business Rates	*28.611	29.060	0.449
Business Rates Top Up	30.587	30.237	(0.350)
Council Tax	76.485	77.656	1.171
2% Adult Social Care Precept	0.000	1.533	1.533
New Homes Bonus	2.700	2.903	0.203
<b>Core Spending Power</b>	<b>172.523</b>	<b>181.932</b>	<b>9.409</b>

\* For comparative purposes, the Councils Retained Business Rates income has been adjusted downward to reflect the expected level of £1.369m income from the discontinuing of Small Business Rates Relief (SBRR) Grant. This is now to be paid as a grant.

- 6.12 Whilst the Settlement implies the Council has £9.409m additional resources, the CSP takes the Settlement Core Funding figure and assumes:
- growth in Business Rates based on 2013/14 Business Rates baseline information
  - a Council Tax figure based on Government assumptions as to the growth of the tax base and annual tax increases (1.75% p.a.)
  - the levy of the 2% Adult Social Care precept has been raised

None of these assumptions aligned to Council expectations at 16 December 2015.

- 6.13 The CSP also uses notified Business Rates Top Up Grant funding and also New Homes Bonus grant funding (however, the NHB figure presented is inconsistent with information elsewhere within the Government documentation).
- 6.14 A more direct comparison of the CSP using the local position and presenting this in alignment with the Government's CSP shows potential funding of £178.392m. This compares to the information in the report to Council on 16 December which had an equivalent CSP of £172.523. This is shown in Table 9 below. Whilst this appears to show a significant level of extra funding, the Government has indicated that grants have been rolled into the RSG including the Council Tax Freeze Grant and Adult Social Care Grant, meaning it is not as beneficial as it might initially seem.

**Table 9 – Direct Comparison of Oldham to Government Core Spending Power**

	Budget Report (Council report 16/12/15)	Revised Assumption Based on Settlement CSP	Variance
	£m	£m	£m
<b>Revenue Support Grant</b>	34.140	40.543	6.403
Retained Business Rates	28.611	28.360	(0.251)
Business Rates Top Up	30.587	30.237	(0.350)
Council Tax	76.485	76.485	0.000
2% Adult Social Care Precept	0.000	0.000	0.000
New Homes Bonus	2.700	2.767	0.067
<b>Funding Available</b>	<b>172.523</b>	<b>178.392</b>	<b>5.869</b>

**Settlement Funding Assessment (SFA)**

- 6.15 As advised above, the SFA is a Government calculated figure. This incorporates Business Rates Top Up Grant and Revenue Support Grant which are cash payments to the Council, together with the Government assessed locally retained Business Rate figure. The SFA is used by Government in nationally reported funding information. The overall SFA variance for Oldham compared to the budget estimates reported to Council on the 16 December 2015 shows a positive variance of £6.502m for 2016/17 as shown in table 10 below.

**Table 10 – Settlement Funding Assessment Comparison Pre & Post LGFS**

	Budget Report (Council report 16/12/15)	Government Settlement (Feb 2016) 2016/17	Variance since last reported position 2016/17
		£m	£m
Retained Business Rates	28.611	29.060	0.449
Business Rates Top Up	30.587	30.237	(0.350)
Revenue Support Grant	34.140	40.543	6.403
<b>Settlement Funding Assessment</b>	<b>93.338</b>	<b>99.840</b>	<b>6.502</b>

- 6.16 As the Retained Business Rate element of the SFA reflects the Governments assessment of Business Rate income, the Council must decide whether this will be achieved in the light of local factors. The local assessment is set out in table 11 below and shows that rather than £29.060m in retained business rate income as assessed by Government, a sum of £28.360m is anticipated. This reflects a revised estimate based on more up to date projections as well as being adjusted for Small Business Rate Relief (SBRR) being paid as a grant.
- 6.17 Taking all the elements of the SFA together, the overall change to the SFA figure is an increase in resource of £5.802m as shown in table 11 below rather than £6.502m due



to the downward revision to the Councils own estimate of Business Rate income (see \* in table below)

**Table 11 – Direct Comparison of Oldham to SFA**

	Budget Report (Council report 16/12/15)	Council SFA after Settlement 2016/17	Variance since last reported position 2016/17
	£m	£m	£m
Retained Business Rates	28.611	*28.360	(0.251)
Business Rates Top Up	30.587	30.237	(0.350)
Revenue Support Grant	34.140	40.543	6.403
<b>Settlement Funding Assessment</b>	<b>93.338</b>	<b>99.140</b>	<b>5.802</b>

Whilst it is evident that the Settlement is better than anticipated it is important to consider that there has been a direct reduction in RSG from £50.879m to £40.543m which is 20.31%. If it is assumed that the Council Tax Freeze Grant of £864k in 2015/16 and Adult Social Care Grant of £1.088k in 2015/16 have been rolled into RSG in full, then the adjusted RSG is £38.591m and the RSG reduction is 24.15%

#### **Other Business Rate Grants**

- 6.18 The Council will continue to receive Small Business Rate Relief grant as announced in the Autumn Statement. Grant funding for Empty Property Relief, Long Term Empty Property Relief and Retail Relief has been discontinued, so Business Rates income has been adjusted to reflect the collection of sums paid as grant in 2015/16. The Council will not continue to provide these reliefs without support from Central Government. A sum of £1.508m of Small Business Rates Relief Grant has been anticipated, which is £139k higher than initially expected.

#### **Revenue Support Grant**

- 6.19 The Revenue Support Grant (RSG) is the largest unringfenced grant the Council receives and it is used to underpin general Council services. The RSG included in the Settlement (shown above at £40.543m) is £6.403m higher than the estimates included in the latest reported position (£34.140m). However the RSG allocation includes the rolled up element for 2015/16 Council Tax Freeze Grant at a sum of £864k and Adult Social Care Grant (paid at £1.088m in 2015/16 and assumed at £585k for 2016/17). Whilst these allocations might have been passported into RSG in full, the Government has not clarified which other grants have been rolled into RSG. Although there is significantly more RSG than had been anticipated, it is important to note that it has still been cut by £10.336m.

#### **Other Unringfenced Grants**

- 6.20 The Council will receive other unringfenced general grants in 2016/17 and is able to use this Government funding as it sees fit. There are considerably less grants than were notified in 2015/16, hence the uncertainty as to whether they have been rolled into RSG. The Council had taken a prudent approach to such grants and funding allocations had not been assumed in most instances.

Grants for which funding had not been assumed in 2016/17 now total £0.457m and are summarised in table 12 below. It had initially been assumed that Special Educational Needs funding would not be continued but the Council has now been advised of an allocation of grant.

**Table 12 - 2015/16 Unringfenced Grants**

Unringfenced Grants	2015/16 Allocation £m
Lead Local Flood Authority	0.026
New Homes Bonus – Returned Funding	0.191
Council Tax Support New Burdens	0.066
Department of Health Revenue Grant	0.151
Extended Rights to Free Travel	0.023
<b>Total Unringfenced Grants in 2015/16</b>	<b>0.457</b>

6.21 Grants to be received in 2016/17 are shown in table 13 below. In overall terms, the Council will receive £0.310m less funding from these grants than it anticipated. Each of these grants is explained below in the following paragraphs.

**Table 13 – Government Grants 2016/17**

Changes to Funding Following the Local Government Finance Settlement	Expected Position £m	After Settlement £m	Difference £m
Housing Benefit Administration	1.048	1.056	0.008
Council Tax Administration	0.330	0.330	0.000
New Homes Bonus	2.700	2.767	0.067
Council Tax Freeze Grant	0.926	0.000	(0.926)
Adult Social Care New Burdens	0.585	0.000	(0.585)
Education Services Grant	2.500	2.505	0.005
New Burdens ILF Grant	2.013	2.841	0.828
Multiplier Cap/Settlement Funding Adjustment	0.854	0.966	0.112
Special Educational Needs	0.000	0.181	0.181
<b>Total General Government Grants</b>	<b>10.956</b>	<b>10.646</b>	<b>(0.310)</b>

**Housing Benefit and Council Tax Administration Grant**

6.22 The Government will continue the payment of this unringfenced grant which compensates Local Authorities for the administration of the Housing Benefit and Council Tax system. The Department for Work and Pensions has given notification that the Housing Benefit element of the grant will be £1.056m for 2016/17 which is £0.008m higher than expected. The Council has yet to receive confirmation of the Council Tax element of the grant and therefore at this stage, grant in accordance with expectations of £0.330m is assumed.

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### **New Homes Bonus (NHB)**

- 6.23 New Homes Bonus funding has increased from £2.086m in 2015/16 to £2.767m in 2016/17. This is £67k above the anticipated level. The achievement of NHB allocation for 2016/17 demonstrates the reduction in the number of empty homes and reflects the increased number of properties in the Oldham area.

### **Council Tax Freeze Grant**

- 6.24 The Council had expected to receive £0.926m of Council Tax Freeze Grant for 2016/17 in line with the budget assumption that there would be no increase the level of Council Tax. The Government has discontinued Freeze Grant and the Freeze Grant payable in respect of 2015/16 of £864k has been rolled into the RSG and has been subsumed within other funding.

### **Adult Social Care New Burdens**

- 6.25 The Council received grant of £1.088m in 2015/16 to support new burdens associated with Government changes around Adult Social Care and the Care Act 2014. A grant of £585k had been assumed for 2016/17. This grant has been rolled into RSG and therefore will not be paid separately.

### **Education Services Grant**

- 6.26 Education Services Grant reflects the amount Authorities are funded for school related services provided through the Local Education Authority. It is based on pupils aged 3 to 19 in state schools. The allocation initially notified by Central Government has been reduced by £0.324m from £2.829m, to £2.505m as a result of adjustments in relation to schools transferring to academy status. This grant is used to underpin the budget of the Council but is subject to change in year.

### **Independent Living Fund (ILF)**

- 6.27 The Council took over responsibility from Government for the functions associated with the former Independent Living Fund during 2015. Oldham was notified of grant funding for 2016/17 on 10 February 2016 in the sum of £2.841m. This is £0.828m higher than the assumed grant of £2.013m. However, this grant notification was included in a consultation paper which sought views as to the allocation methodology. The consultation is not timed to end until 22 March and as a result there is no certainty that all this funding will be finally retained by the Council. At this point it is therefore considered prudent not to rely on the availability of all the resource for budget setting in case the allocation is reduced after the conclusion of the consultation period.

### **Multiplier Cap Grant**

- 6.28 The Settlement figures have been adjusted to allow for a cap on the increase in Business Rates to 2% relating to 2014/15 and 2015/16. A separate national grant is to be paid in respect of lost income associated with the 2% cap. This is the third year of this grant and Oldham is expected to receive £0.966m in 2016/17. This grant has yet to be confirmed.

### **Special Educational Needs and Disabilities Implementation Grant**

- 6.29 This grant is aimed at funding the early identification of the special educational needs of children and young people, making it easier for families to receive the support they

need. Funding had not been assumed for 2016/17, however Oldham has received an allocation of £0.181m, an increase of £0.021m on the £0.160k received in 2015/16. In accordance with previous practice, although unringfenced, this grant is to be locally ringfenced to support the services for which it has been allocated.

### **Overall Reduction in Unringfenced Government Grant Funding 2015/16 to 2016/17**

- 6.30 In order to illustrate the full extent of the Government grant funding reductions between 2015/16 and 2016/17 for unringfenced grants, Table 14 shows the grants paid in 2015/16 compared to those currently anticipated/notified. As can be seen the total reduction is £12.133m which illustrates how much of the budget reduction target is generated by Government grant reductions. It should also be noted that confirmation of funding levels is still awaited for two of the grants (see\*). As advised at 6.27, the new burdens ILF grant is subject to a consultation exercise which does not conclude until after budget setting is complete and at present there is concern that some of this funding may be withdrawn after the consultation concludes.

**Table 14 – Comparison of Government Grants - 2015/16 to 2016/17**

<b>Changes to Funding Following the Local Government Finance Settlement</b>	<b>2015/16 Final Position £m</b>	<b>2016/17 Post LGFS £m</b>	<b>Difference £m</b>
Revenue Support Grant	50.879	40.543	(10.336)
Housing Benefit Administration Grant	1.163	1.056	(0.107)
Council Tax Administration Grant*	0.366	0.330	(0.036)
New Homes Bonus Grant	2.086	2.767	0.681
Council Tax Freeze Grant	0.898	0.000	(0.898)
Adult Social Care New Burdens Grant	1.088	0.000	(1.088)
Education Services Grant	3.127	2.505	(0.622)
New Burdens ILF Grant	2.244	2.841	0.597
Multiplier Cap/Settlement Funding Adjustment*	0.854	0.966	0.112
Special Educational Needs	0.160	0.181	0.021
Other Unringfenced Grants (See Table 12)	0.457	0.000	(0.457)
<b>Total General Government Grants</b>	<b>63.322</b>	<b>51.189</b>	<b>(12.133)</b>

### **Overall position after the LGFS**

- 6.31 Taking all the changes in the SFA and the grants into consideration means that the Council has, after the LGFS and related grant notifications, anticipated additional funding of £5.631m as shown in Table 15 (albeit that some grant notifications have still to be confirmed).

**Table 15 - Overall Position After Allowing for the Impact of the Settlement and Other Grant Assessments**

<b>Changes to Funding – Local Government Finance Settlement</b>	<b>Expected Position £m</b>	<b>After Settlement £m</b>	<b>Difference £m</b>
General Government Grants	10.956	10.646	(0.310)
Small Business Rates Relief Grant	1.369	1.508	0.139
Settlement Funding Assessment	93.338	99.140	5.802
<b>Total Change To Resources Available</b>	<b>105.663</b>	<b>111.294</b>	<b>5.631</b>

## **7 Other Changes Impacting on the Financial Position**

### **Flexible use of Capital Receipts**

- 7.1 The Provisional LGFS included the flexibility to use capital receipts for qualifying revenue expenditure. This is subject to an efficiency plan and Council approval. At this time no assumption has been made about the use of this flexibility.

Qualifying expenditure must improve efficiency or generate revenue savings in future years. Examples include:

- Shared services
- Feasibility studies
- Inter-authority co-operation
- Service reconfiguration
- Digital delivery
- Improving counter fraud systems

### **Council Tax Policy 2016/17**

- 7.2 The Council initially intended to freeze Council Tax and accept Council Tax Freeze grant in 2016/17, however, the grant is no longer available. The option of choosing to freeze Council Tax and receive grant compensation has been removed and the Council now intends to increase Council Tax by up to 1.7% in 2016/17. As highlighted earlier, the Government's assessment of Core Spending Power assumes that the Council will agree to a Council Tax increase of 1.75%.
- 7.3 The Settlement has conferred on Councils the ability to increase Council Tax by 2% to generate an Adult Social Care precept. This additional funding must be ring-fenced to support the increased costs of Adult Social Care, in part caused by the Government's move to introduce the National Living Wage and the consequent impact on the cost for provision of care. As advised earlier in the report, the Government's calculation of CSP assumes this precept is levied by Oldham and by all Councils. On this basis, the precept, which has to be highlighted separately on the face of the Council Tax bill, will be introduced by the Council.
- 7.4 A 1.70% general increase to Council Tax in 2016/17 together with a 2% increase to generate an Adult Social Care precept (a 3.70% total Council tax increase) would increase the Oldham Council Band D Council Tax to £1,444.48.
- 7.5 Considerable funding pressures are being experienced in Adult Social Care and as a consequence, the anticipated cost of addressing Adult Social Care pressures for

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2016/17 linked to Government policy around the National Minimum Wage, has been reassessed at £2.7m. This would be incurred irrespective of the Council's ability to charge a separate precept. The 2% precept will only finance £1.515m towards this extra cost. The general increase in Council Tax of 1.7% will generate sufficient resources to finance the remaining cost pressure.

### **Relevant Basic Amount of Council Tax**

- 7.6 The Council is required to calculate its Relevant Basic Amount (RBA) of Council Tax to determine whether there is a requirement to hold a referendum about a Council Tax increase above a level that the Government considers excessive. This "excessiveness" will be determined annually but for 2016/17 has been set at a figure of a 4% increase in the RBA of Council Tax. As a result of the changes in legislation arising from the passing of the Local Audit and Accountability Act 2014, the change in the RBA of Council Tax is now equivalent to the change in Band D headline Council Tax. An increase of 3.70% would not therefore be classed as excessive and would not trigger a referendum.

### **Council Tax Base**

- 7.7 Each year the Council is required to review its Tax Base by considering the:
- a) numbers of properties within the boundary of the borough which determines the number of Band D equivalent properties upon which the Council Tax calculations are based;
  - b) anticipated level of Council Tax that will be collected known as the Collection Rate.
- 7.8 On 25 January 2016 Cabinet agreed the calculation of the Council Tax Base for 2016/17 and a summary of the calculation is included at Appendix 9 to this report. The taxbase has increased by 1,005 from 53,401 to 54,406. With a 3.70% increase this generates Council Tax of £78.588m. This taxbase produces £77.073m of Council Tax for general purposes, which is £588k more than had been expected in previous budget reports and an Adult Social Care precept of £1.515m.

### **Collection Fund Surplus**

- 7.9 The Collection Fund is a statutory fund separate from the General Fund of the Council. The Local Government Finance Act 1992 (as amended) requires that the Council as the Billing Authority calculates a Collection Fund estimate on 15 January each year. This may produce a Council Tax surplus or deficit which can then be distributed to the Council and the two precepting bodies, the Police and Crime Commissioner for Greater Manchester (PCCGM) and the Greater Manchester Fire and Rescue Authority (GMFRA). In addition, the Business Rates surplus or deficit can be distributed to the Council, GMFRA and Central Government.
- 7.10 Due to changes to the Local Government Finance regime in 2013/14, and with particular focus on the elements impacting the Collection Fund (the localisation of Council Tax and Business Rates Retention), it is evident that the financial position of the Collection Fund has been more volatile than in previous years. Indeed, accounting for the assessment of outstanding business rates appeals is still very subjective and open to a range of uncontrollable elements.
- 7.11 The most recent financial monitoring position has shown that the overall Collection Fund balance at 31 March 2016 is expected to be a deficit of £2.230m comprised of a

surplus of £3.400m of Council Tax and a deficit of £5.630m of Business Rates. However because of the allocation of the proportions of funding the Councils share of the Collection Fund balance is:

	<b>£m</b>
Council Tax Surplus	(2.956)
Business Rates Deficit	2.760
<b>Total Surplus</b>	<b>(0.196)</b>

The Council has relied upon a Collection Fund surplus of £196k for its budget for 2016/17 and this is presented in the table below, together with the respective Collection Fund positions for Central Government, PCCGM and GMFRA. All surplus/deficit notifications to other organisations were issued in accordance with statutory requirements.

**Table 16 - Collection Fund Surplus**

	Allocation				Total
	Central Government £m	PCCGM £m	GMFRA £m	Council £m	Forecast Year End Position
Council Tax	0.000	(0.322)	(0.122)	(2.956)	(3.400)
Business Rates	2.814	0.000	0.056	2.760	5.630
Total (Surplus)/ Deficit	2.814	(0.322)	(0.066)	(0.196)	2.230

7.12 The key reasons for the Collection Fund position are:

- a) Council Tax
  - The introduction of the Council Tax localisation scheme in 2013/14 and the difficulties in assessing the collection levels which still creates some uncertainty.
  - The higher than expected increase in the Council Tax Base during 2015/16. This had not been fully anticipated. The revision to the Tax Base for 2016/17 will also prevent excessive surpluses building up in the Collection Fund.
- b) Business Rates
  - Changes in liability resulting from a change in occupancy.
  - The uncertainty of the level of Business Rate appeals.
  - The continuing economic downturn depressing business rate income.

#### **Additional Budget Resilience Issues**

7.13 Since budget estimates were reviewed and revised, three issues already considered as budget resilience issues have been reassessed and now must be addressed:

- The impact of the taxbase increase on parish precepts and the increase in Council Tax by Shaw and Crompton Parish Council caused an increase in expenditure of £6k (matched by increased Parish Precept Income)
- The revision to the cost of financing pay awards based on the National Employers most recent offer resulting in an additional budget cost of £33k
- The revision to the calculation of the impact of the National Living Wage on the provision of Adult Social Care resulting in extra costs of £2.1m

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## **8 Ringfenced Grants**

### **Public Health**

- 8.1 The main Public Health Service transferred to the Council in April 2013. This service is funded by a ring-fenced grant provided by the Department of Health. From October 2015 onwards, funding also includes additional support for the 0-5 health visitor services which transferred from NHS England bringing total funding in 2015/16 to £17.079m. This equates to a full year allocation of £19.243m. In early November 2015, the Council received formal notification of a £1.057m in year cut in grant funding which has been continued into 2016/17. Although the in-year saving for 2015/16 has been successfully achieved, it has proved challenging.
- 8.2 In late November, the Council received notification from the Chief Executive of Public Health England (CEPHE) that the 2015/16 in-year cut had become permanent along with further reductions to be made on a progressive basis until 2019/20. The Council received its' grant notification for 2016/17 on 10 February which advised of grant of £17.775m. This is £0.411m lower than the adjusted 2015/16 grant but £1.468m lower than a comparable full year allocation for 2015/16. The 2017/18 grant was also notified at a reduced value of £17.341m.
- 8.3 Although the CEPHE advised of further cuts in Public Health funding until 2019/20, grant will not be ringfenced from 2018/19 and the Government has separately advised that from 2018/19 funding should be financed from Business Rates. The future funding of Public Health is therefore uncertain.

### **Better Care Fund (BCF)**

- 8.4 BCF allocations were announced on 15 January 2016 with the Oldham share confirmed at £16.627m, of which £9.895m will be passed to the Council to commission services. This is expected to cover issues such as personalisation, the provision of support for carers, information advice and support and independent mental health advocacy. Funding will be allocated to the Oldham Clinical Commissioning Group (CCG) as part of the pooling arrangements and passported to the Council as per the BCF agreements. This has already been anticipated within the budget and in some of the budget reduction proposals.

### **Dedicated Schools Grant**

- 8.5 The Dedicated Schools Grant (DSG) is initially set at £224.174m for 2016/17. This provides funding for schools; the Pupil Referral Unit; and Early Years Provision in Private, Voluntary and Independent Establishments (PVI's); and a budget for other provision for pupils which the Local Authority funds centrally. Central Local Authority funding now includes high needs provision, including post-school provision up to the age of 25, and other pupil related services.
- 8.6 The DSG is a ring-fenced specific grant. This funding is calculated by Central Government based on the "spend plus" methodology and the number of pupils receiving education within the Oldham Council area. The Council then allocates the money to the schools, according to our own funding formula. Each school's budget is subject to a Minimum Funding Guarantee (MFG), the level of which is set by Department for Education (DfE). The MFG ensures that, subject to certain exemptions, a school's budget is guaranteed to increase or decrease by a set percentage. The Council can retain funding centrally to meet its estimate of the cost of



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delivering education in settings other than its own maintained schools as well as to provide relevant pupil related support services for Early Years or High Needs.

8.7 Although the Council continues to receive funding for schools directly from the Government through the DSG, this is now allocated within three notional blocks. Councils can move funding between the notional blocks in consultation with the Schools Forum to ensure that local pressures can be met. These blocks are:

a) **Schools block.**

This covers Reception to year 11 pupils and some centrally retained services for school pupils e.g. admissions service.

The funding reforms introduced from April 2013 outlined the requirement for the maximisation of delegation to schools and academies of central services funding and the funding from the schools block in the first instance. This was to ensure that local decision making was made by schools/academies directly giving greater choice to Headteachers, Principals and Governors on how to spend their budgets.

This change requires Local Authorities to delegate funding relating to a number of centrally retained school block budgets to schools via the Local Funding Formula. Locally maintained schools then have the option of de-delegating the funding back to the Council to provide better value for money or to pool risk. These services are Insurance, School Improvement/ Underperforming Schools, Contingencies and Teacher Union Duties. De-delegation has to be agreed each year by Schools Forum.

b) **High Needs**

This covers Pupils in mainstream schools and special schools as well as alternative provision and Special Educational Needs (SEN) support services. Pupils and students with high needs are those young people who need educational provision that costs more in total, including basic provision given to all pupils and students, than £10,000 per year;

c) **Early Years**

This covers free entitlement to Early Years funding for 2, 3 and 4 year olds and current centrally retained Early Years services.

8.8 The DSG for 2016/17 also includes funding of £3.403m for an increase in pupils numbers, £349k for Non Recoupment academies, £27k for post 16 residency, £446k additional high needs funding, £207k re High Needs Business Case 2015/16 and £56k for the costs of monitoring and quality assurance Newly Qualified Teachers (NQT) induction.

8.9 Based on pupil number changes, the DSG funding received by Local Authorities continues to be allocated on a 0% cash increase basis for the Schools Block and Early Years Block. (i.e. the guaranteed unit of funding per pupil will be the same as those in 2015/16 except for an adjustment for former non-recoupment academies). Although the funding allocated to the Local Authority will remain constant for 2016/17, the changes brought about by the new local funding formula and the prescriptive criteria set by Government results in both winners and losers for individual schools in financial terms.

8.10 In determining schools budgets, a number of key changes have been implemented. This includes reducing the number of factors that can be used in the local formulae to distribute funding from 33 to 12.

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- 8.11 To dampen the impact of changes to schools budgets the MFG will continue at minus 1.5% per pupil, and be calculated on a simplified basis. The minimum funding guarantee is a formula that has to be applied to each school's budgets to ensure that its budget does not exceed the maximum decrease of 1.5% per pupil. Conversely as Authorities are operating within a set level of resources, caps may have to be applied to any winners. This capping restricts a schools gain when comparing what they received per pupil in the preceding year compared to what they receive under the new formula arrangements. For 2016/17 the capping will be set at 0.0%.
- 8.12 In relation to the Council's revenue budget it is currently anticipated that the changes to the DSG will have a neutral effect. Work has now been concluded on determining the implications for schools arising from the allocation of £224.174m for 2016/17.

### **Discretionary Housing Payments**

- 8.13 On 4 February 2016 The Department for Work and Pensions advised of the allocation of the £150 million fund for Discretionary Housing Payments (DHP) 2016/17 with Oldham's allocation at £0.474m. This will be treated as a ringfenced grant as Authorities are required to provide a statement of grant usage and to return any unspent DHP allocation to the Government at the end of each financial year.

## **9 Other Issues Impacting on the Budget**

### **Business Rates Pooling**

- 9.1 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.
- 9.2 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.
- 9.3 However, Members will recall 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 finalised their accounts before the assessment can be made and also given the complexities of the methodology to determine shares between Councils and the DCLG.
- 9.4 The Government advised that it would continue with pooling arrangements in their current format for 2016/17. In accordance with timelines for previous years, the DCLG 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 submitted an expression of interest. This provides a mix of tariff and top-up Councils in order to maximise any gain.

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- 9.5 A key requirement of pooling is that each Authority had to make a decision on whether it wished to confirm its involvement in a 2016/17 pool within 28 days of the issue of the Provisional Local Government Finance Settlement. 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. The Council confirmed its' pooling decision on 11 January 2016.

### **Business Rates Growth Retention**

- 9.6 As a result of an initiative announced in the March 2015 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.
- 9.7 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.
- 9.8 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;
- 9.9 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.
- 9.10 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.
- 9.11 As with the standard business rates pooling process, it will be July 2016 before the actual value of any 2015/16 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. This pilot will also run alongside business rates pooling in 2016/17.

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## **Devolution**

- 9.12 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 a neutral position is assumed. In addition, the Council will have access to a share of the Transformation Fund for Adult Social Care but this is also being treated as financially neutral. There is still a substantial amount of work to take place to finalise all the devolution arrangements and this will be reported to Members during 2016/17.

### **Greater Manchester Waste Disposal Authority (GMWDA)**

- 9.13 The GMWDA approved its 2016/17 budget and levies to the Greater Manchester Districts on 12 February 2016. Oldham's levy for 2016/17 was set at £15.897m which is a reduction of £0.676m from the 2015/16 levy of £16.573m. As the budget has so far relied on the use of £195k to offset an increase in the GMWDA levy, it is now appropriate to remove the use of the reserve. This results in £0.481m more resources than had previously been considered available to finance the levy. However, £4k of this resource has been utilised to offset the other increases in levies and contributions as outlined in paragraphs 9.14 to 9.17, leaving £0.477m available.
- 9.14 This £0.477m will be retained within the levy budget for 2016/17 as there is a likelihood that there will be additional charges from the GMWDA in year. In this regard Members will recall that the month 8 revenue monitoring report approved at Cabinet on 11 February advised that charges to date in 2015/16 were £249k.

### **Greater Manchester Combined Authority (GMCA)**

- 9.15 The GMCA met on 29 January 2016 and approved its budget for 2016/17. Oldham's Transport for Greater Manchester (TFGM) levy was set at £15.848m which is £0.489m lower than levied in 2015/16. However, this is offset by an increase in the GMCA non-transport budgets as the contribution for other services increased from £0.351m to £0.835m.

### **Environment Agency**

- 9.16 On 8 February 2016 the Environment Agency published its confirmed levy figures for 2016/17. Oldham's levy will increase slightly by £0.001m to £0.101m in 2016/17.

### **Association of Greater Manchester Authorities (AGMA)**

- 9.17 On 29 January 2016 the Council contribution for AGMA services was set at £0.599m which is a £0.008m increase on the 2015/16 level.

### **Net Impact of Levies/Contributions**

- 9.18 The table below advises that taking all the information set out at 9.13 to 9.17, £0.195m is available to offset the use of reserves that had anticipated to support the GMWDA levy in 2016/17 and hence to support the overall budget position.

**Table 17 – Comparison of Levy Contributions**

Levy/Contribution	Expected Position £m	Budgeted Position £m	Difference £m
GMWDA	16.573	16.374	(0.199)
GMCA - TFGM	16.337	15.848	(0.489)
GMCA – Non Transport	0.351	0.835	0.484
Environment Agency	0.100	0.101	0.001
AGMA	0.591	0.599	0.008
<b>Total Change to Levies/Contributions</b>	<b>33.952</b>	<b>33.757</b>	<b>(0.195)</b>

## 10 Position after all Funding and Budget Resilience Issues that may Impact on the Budget are Considered

- 10.1 Pulling all the current information together about increased useable resources (£7.740m) and revisions to budget (£2.647m), results in the availability of £5.093m to address budget issues as shown in the table below. This sum would be higher, but the Council is mindful that the increased allocation of Independent Living Fund grant support (£0.828m) is subject to a consultation process and may therefore be withdrawn. A prudent approach has been adopted with the net £0.508m of funds not previously anticipated and therefore not included in the report presented to Cabinet (ILF grant increase less the adjustment to Central Education Support Grant of £0.324m and small revision to levies/contributions), being held pending the outcome of the ILF consultation process (not expected until after the start of 2016/17).

**Table 18 – Net Additional Funding Available**

Changes to funding after the Local Government Finance Settlement and Revision to Estimates	Expected Position £m	After Settlement £m	Difference £m
General Government Grants – Settlement	10.956	10.646	(0.310)
Small Business Rates Relief Grants	1.369	1.508	0.139
Settlement Funding Assessment	93.338	99.140	5.802
<b>Total Change – Government Grants and SFA</b>	<b>105.663</b>	<b>111.294</b>	<b>5.631</b>
Council Tax for Council Use	76.485	77.073	0.588
2% Adult Social Care Precept	0.000	1.515	1.515
Collection Fund Surplus	0.196	0.196	0.000
<b>TOTAL CHANGE TO COUNCIL RESOURCES</b>	<b>182.344</b>	<b>190.078</b>	<b>7.734</b>
Parish Precept – Ringfenced to Parishes	0.239	0.245	0.006
<b>TOTAL CHANGE TO FUNDING</b>	<b>182.583</b>	<b>190.323</b>	<b>7.740</b>
Parish Precept – Ringfenced to Parishes	0.239	0.245	0.006
Pay Award	0.917	0.950	0.033
Fair Employment Charter - Adult Social Care National Living Wage	0.600	2.700	2.100
<b>CHANGE TO EXPENDITURE</b>	<b>1.756</b>	<b>3.895</b>	<b>2.139</b>
Budget held Pending the Outcome of ILF Consultation			0.508
<b>TOTAL CHANGE TO BUDGET</b>			<b>2.647</b>
<b>Net additional funding available</b>			<b>5.093</b>

10.2 The availability of this additional resource means that there is no requirement to find additional budget reductions of £1.955m to bridge the budget gap.

## 11 Further Budget Resilience Issues

11.1 Since the budget reduction target was revised in October, other budget resilience issues have arisen which can now be financed by other than one off means or additional budget reduction proposals. The additional resilience issues are shown in the table below and explained in the following paragraphs.

**Table 19 – Budget Issues to be Addressed**

Budget issues to be addressed	2016/17 £m	2016/17 £m
- Removal of previously stated budget reduction requirement		1.955
<b>Budget Resilience Issues:</b>		
- Social Worker Retention	0.091	
- Social Care Redesign	0.380	
- Children's Social Care Commissioning	0.200	
- Car Parking Income	0.243	
- Market Rental Income	0.350	
- Coroners Service	0.100	
- Early Years Commissioning	0.183	
- School Places and Planning	0.150	
- Deprivation of Liberty Safeguarding	0.375	
- Impact of Public Health Grant Reduction	0.510	
- Early Help	0.375	
- Special Educational Needs Grant – Local Ringfencing	0.181	
<b>Total Budget Resilience Issues</b>		<b>3.138</b>
<b>Value of Budget Issues Addressed</b>		<b>5.093</b>

11.2 Base budget issues to be addressed are:

a) Social Worker Retention

The Council is aware that there have been difficulties in retaining qualified Social Workers and has therefore agreed measures aimed at providing retention incentives and maintaining social work capacity. This will cost £91k in 2016/17 rising to £182k in 2017/18.

b) Social Care Redesign

A two-year funding allocation is required for 2016/17 (£380k) and 2017/18 (£385k) to implement a number of proposals in respect of Children's Social Care Services which are driven by the Ofsted inspection of children in need of help and protection, looked after children and care leavers and the subsequent requirement to produce an 'Improvement Plan'.

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c) Children's Social Care Commissioning

The Council is aiming to reduce its costs of commissioning Children's Social Care, and is implementing measures in this regard. Resources of £200k will address demand pressures highlighted in the month 8 budget monitoring report which cannot otherwise be absorbed.

d) Car Parking Income

This budget pressure has already been identified in the month 6 and month 8 2015/16 revenue monitoring reports. The main factors are the closure of Hobson Street Car Park, reduction in off street parking income and reduction in penalty notice income.

e) Market Rental Income

Markets rents income has been under pressure for some time, therefore the opportunity is being taken to use £350k to restructure rents to allow market rents to be pitched at realistic levels and enable indoor market traders to trade competitively. This resource is to allow rent reductions for existing indoor stall holders and not to make good income lost through vacancies.

f) Coroners Service

This £100k pressure has already been identified in 2015/16 revenue monitoring. The Council receives Coroners Services via an agreement with two other Councils. The main factor causing the pressures is that more inquests are taking place thus increasing this external charge.

g) Early Years Commissioning

There have been growing pressures within the Early Years and Placement services due to the increasing number of children classified as High Needs. It is expected that there will be continued growth in children being categorised as High Needs and these pressures will need to be managed, hence inclusion of resources of £183k.

h) School Places and Planning

There continues to be pressures on Out of Borough placements which cannot be absorbed by other actions and this is expected to continue, requiring £150k of additional resources.

i) Deprivation of Liberty Safeguarding

This allocation of £375k is needed to meet an increased volume of activity in relation to ensuring the Council is continuing to undertake its responsibilities under the Mental Health Act 2005 with regard to Deprivation of Liberty Safeguarding following a recent Supreme Court judgement.

j) Impact of Public Health Grant reduction

This allocation of £510k will assist in meeting the impact of Public Health Grant reductions which have now been confirmed.

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k) Early Help

The £375k will contribute towards the full year cost of early intervention and prevention with mental health clients that will reduce demand and therefore expenditure on secondary mental health provision, realising savings in the longer term.

l) Special Educational Needs

The £181k reflects the 2016/17 allocation of the unringfenced SEND grant by Government which had not previously been anticipated. In accordance with previous practice, this will be locally ringfenced to support the services for which the funding was allocated.

**12 Impact of the Decisions of Precepting Authorities**

- 12.1 Whilst the spending decisions of precepting Authorities do not affect the level of resources available to the Council, they do affect the amount of Council Tax that is charged to Oldham citizens. The major preceptors are the Police and Crime Commissioner for Greater Manchester (PCCGM) and the Greater Manchester Fire and Rescue Authority (GMFRA).

**GMFRA**

- 12.2 The GMFRA held its' budget setting meeting on 11 February 2016 and agreed to increase the precept by 1.99% for 2016/17. This results in an increase of £1.14 to their Band D level from £57.64 in 2015/16 to £58.78 in 2016/17.

**PCCGM**

- 12.3 The PCCGM approved its' budget for 2016/17 on 16 February 2016 and agreed to increase the precept by £5. This results in an increase in the Band D Council Tax from £152.30 to £157.30.

**Parish Precepts**

- 12.4 Saddleworth Parish Council agreed its 2016/17 budget and parish precept at a meeting on 25 January 2016. A freeze in the Council Tax charge was agreed with Band D Council Tax remaining at £19.35. The total precept will therefore be £162,327.15

- 12.5 The Shaw and Crompton Parish Council agreed its 2016/17 budget and parish precept at a meeting on 8 February 2016. It agreed to increase its charge by £0.59 (3.9%) to £15.70 resulting in a total precept of £83,288.50.

**Council Tax – Draw on the Collection Fund**

- 12.6 Taking account of Council Tax and Adult Social Care precept assumptions, the sums to be drawn from the Collection Fund for Council Tax for 2016/17 are:-



**Table 20 – Draw on the Collection Fund**

Precepting Body	£m
Oldham Council including Social Care Precept	78.588
PCCGM	8.558
GMFRA	3.198
Saddleworth Parish Council	0.162
Shaw & Crompton Parish Council	0.083
<b>TOTAL</b>	<b>90.589</b>
Less: contribution from Parish Taxpayers	(0.245)
<b>TOTAL Draw on Collection Fund for Major Preceptors</b>	<b>90.344</b>

12.7 The Band D Council Tax for 2016/17 is therefore proposed as follows:-

**Table 21 – Band D Council Tax**

Council Tax Raising Body – Precepts to be Confirmed	2015/16 Council Tax	2016/17 Council Tax	Change
	£	£	%
Oldham	1,392.95	1,444.48	3.70
PCCGM	152.30	157.30	3.28
GMFRA	57.64	58.78	1.99
<b>TOTAL BAND D COUNCIL TAX</b>	<b>1,602.89</b>	<b>1,660.57</b>	<b>3.60</b>
Saddleworth Parish Council	19.35	19.35	0.00
Shaw & Crompton Parish Council	15.11	15.70	3.90

This Council Tax information is set out in more detail at Appendix 10.

12.8 Taking all information into account the position thus implies an overall budget strategy as follows:

**Table 22 – Overall Budget Strategy**

Budget Strategy	£m
Directorate budget requirements	206.367
Budget Reduction Proposals excluding use of reserves (overall total £16.044m)	(15.714)
Budget for 2016/17 before use of reserves	190.653
<u>Less Government Funding</u>	
Business Rates Top Up	30.237
Revenue Support Grant	40.543
ILF Grant	2.841
Housing Benefit Administration Grant	1.056
Council Tax Administration Grant	0.330
Central Education Support Grant	2.505
New Homes Bonus Grant	2.767
Multiplier Cap Grant	0.966
SEND Grant	0.181
Small Business Rates Relief Grant	1.508
	107.719
<u>Less</u>	
Retained Business Rates	28.360
Collection Fund Surplus	0.196
Parish Precepts	0.245
	78.918
<u>Add Precepts</u>	
PCCGM	8.558
GMFRA	3.198
Total Council Tax including Levies (A)	90.674
Current Council Tax, adjusted for Tax Base (B)	90.344
Difference (A-B)	0.330
This additional expenditure is being funded by resources from appropriations from earmarked reserves	

**13 2016/17 Budget Reductions**

- 13.1 As highlighted above, there is no need to find additional budget reductions of £1.955m to achieve a balanced budget position in the light of the LGFS and other changes, with the £16.044m of budget reduction proposals sufficient to address the budget gap. However, to achieve the £16.044m there are still £5.077m of budget reduction proposals to be considered. Attached at Appendix 1 is the summary of deferred Tranche 1 budget reduction proposals totalling £1.193m with detail provided at Appendix 2.
- 13.2 Appendix 3 summarises the budget reduction proposals deferred from Tranche 2 totalling £1.244m with detail provided at Appendix 4.

- 13.3 Appendix 5 summarises the Tranche 3 budget reduction proposals totalling £2.640m with detail provided at Appendix 6 including Equality Impact Assessments (EIAs) where necessary. These are being presented to Council for the first time.
- 13.4 A balanced position can be demonstrated for 2016/17 if all proposed budget reductions totalling £16.044m are approved. This is set out in Table 23. It should be noted that £15.714m of proposals represent reductions in expenditure whilst £0.330m of budget reductions utilise reserves.

**Table 23 – Budget Reduction Proposals**

<b>Budget Reductions</b>	<b>£m</b>	<b>£m</b>
Budget Reduction Proposals yet to be Approved		
- Tranche 1 – Appendix 1	1.193	
- Tranche 2 – Appendix 3	1.244	
- Tranche 3 – Appendix 5	2.640	
<b>Total for Approval</b>		<b>5.077</b>
Budget Reductions Approved November 4 Council	5.974	
Budget Reductions Approved December 16 Council	4.993	
<b>Total Approved – Appendix 7</b>		<b>10.967</b>
<b>Overall Budget Reduction Position</b>		<b>16.044</b>
Represented by:		
- Budget Reduction Proposals reducing expenditure		15.714
- Budget Reduction Proposals using reserves		0.330
<b>Budget Reduction Position – Appendix 8</b>		<b>16.044</b>

- 13.5 If all budget reductions were approved, the revised revenue budget position would therefore be presented as set out below:

**Table 24 – Estimated 2016/17 Revenue Position**

<b>Estimated revenue position 2016/17 at January 2016</b>	<b>2016/17 £m</b>
<b>Prior Year Net Revenue Budget 2015/16</b>	<b>207.412</b>
In Year Adjustment to Base Budget	(11.417)
Adjustment to Base Budget - Capital Financing	(4.804)
Adjustment to Base Budget - New Burdens ILF Grant	2.013
Adjustment to Base Budget – Subject to Consultation	0.508
<b>Revised Base Position</b>	<b>193.712</b>
<b>Expenditure Pressures/Amendments:</b>	
- Pensions	0.263
- Pay Award	0.950
- Inflation	1.110
- Business Plan	1.005
- Increase in NI Charges	2.100
- Fair Employment Charter - Adult Social Care - Impact of National Living Wage	2.700
- Demand Pressures OCS Pensions	0.200
- Achievement of Earlier Years Budget Reduction Proposal	0.196
- Additional ILF Expenditure	0.987
- Revised Parish Precept	0.006
- New Budget Resilience Issues	3.138
<b>Total Budget Pressures/Resilience Issues</b>	<b>12.655</b>
- Less Budget Reduction Proposals	(15.714)
<b>Total Expenditure</b>	<b>190.653</b>
<b>Funded By:</b>	
- Business Rates Top Up	30.237
- Revenue Support Grant	40.543
- ILF Grant	2.841
- Housing Benefit Administration Grant	1.056
- Council Tax Administration Grant	0.330
- Education Services Grant	2.505
- New Homes Bonus Grant	2.767
- Multiplier Cap Grant	0.966
- Small Business Rates Relief Grant	1.508
- SEND Grant	0.181
<b>Total Government Grant Funding</b>	<b>82.934</b>
- Retained Business Rates	28.360
- Council Tax Income	77.073
- Adult Social Care Precept	1.515
- Parish Precepts	0.245
- Collection Fund Surplus	0.196
<b>Revised Budget Funding</b>	<b>190.323</b>
<b>Net Gap/Budget Reduction Requirement</b>	<b>0.330</b>
<b>Approved Use of Reserves (Budget Reductions)</b>	<b>(0.330)</b>
<b>Net Gap/Budget Reduction Requirement (After Use of Reserves)</b>	<b>0</b>

13.6 Appendix 11 sets out the anticipated 2016/17 budget in more detail by Directorate area, having regard to all the information contained in this report including Government grants, Council Tax and Business Rate income and budget reductions.

#### 14 Budget for 2017/18

14.1 The financial year 2017/18, is the second year of the two year budget setting timeframe that the Council has been working to. The initial estimate for budget reductions was £29.903m which was subsequently reduced to £25.200m. As can be seen from Table 26, this has reduced still further by £4.736m to £20.464m, having regard to information in the LGFS and other changes. The £4.736m reduction is set out in the table below and explained at 14.2 and 14.3 comprising an overall increase in budget resilience issues of £10.858m, an increase in funding of £15.344 and £0.250m additional use of reserves (Budget Reduction Proposal D018 – Income from Deed of Variation).

**Table 25 – Change in the 2017/18 Estimates**

Changes to 2017/18 Estimates	Initial Estimate £m	Revised Estimate £m	Change £m
- Increase in Base Budget	182.778	190.536	7.758
- Increase in National Insurance	0.065	0.000	(0.065)
- Levies	1.544	1.732	0.188
- Adult Social Care – Impact of National Living Wage	1.030	2.445	1.415
- Other Social Care Pressures - Care Act 2014	0.000	0.716	0.716
- Social Care Budget Issues	0.000	0.096	0.096
- Coroners Budget Issues	0.000	0.100	0.100
- Apprentice Levy	0.000	0.400	0.400
- Business Plan	0.500	0.750	0.250
<b>Total Budget Resilience Increase</b>	<b>185.917</b>	<b>196.775</b>	<b>10.858</b>
Less:			
- Increase in Government Grant	60.596	71.090	10.494
- Reduction in Retained Business Rates	29.980	29.868	(0.112)
- Increase Council Tax	77.938	79.107	1.169
- Improved Better Care Fund	0.000	0.716	0.716
- 2% Adult Social Care Precept	0.000	3.071	3.071
- Parish Precepts	0.239	0.245	0.006
<b>Total Increase in Funding</b>	<b>168.753</b>	<b>184.097</b>	<b>15.344</b>
<b>Additional use of Reserves</b>	<b>0.000</b>	<b>0.250</b>	<b>0.250</b>
<b>Overall Change</b>			<b>4.736</b>

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## 14.2 Change to Budget Resilience Issues

The reasons for the change in budget resilience issues are:

### a) Increase in Base Budget

This increase of £7.758m is a consequence of the revised position for 2016/17 and the increased level of resources that is available to support the budget.

### b) Increase in National Insurance Costs

A review of the impact of the change in pension legislation has determined that the increased National Insurance cost will be wholly dealt with in 2016/17 and that the anticipated £65k cost pressure in 2017/18 can be removed.

### c) Levies

Initial estimates of £1.544m have been revised to £1.732m following the release of updated forecasts from GMWDA

### c) Adult Social Care – Impact of National Living Wage

The notification of the National Living Wage enabled the cost pressure it causes in relation to adult social care provision to be recalculated. It has been assessed that the allowance already made within 2017/18 budget estimates of £1.030m should be increased by £1.415m to £2.445m.

### d) Other Social Care Pressures

Given the expected demands for the adult social care service, it is expected that costs will increase by £716k and these will be financed by the Improved Better Care Fund.

### e) Social Care Budget Issues

The increased cost of £96k reflects the requirement to enhance support for 2016/17 budget issues of Social Worker Retention and Social Care Redesign.

### f) Coroners Budget Issues

This increase in estimated expenditure of £100k reflects the continuing cost of the operation of the Coroners Service.

### g) Apprenticeship Levy

An additional budget pressure for 2017/18 is the Apprenticeship Levy which is being introduced by Government as a charge to employers with a wage bill of over £3m. The aim of the levy is to provide funding to training opportunities for young people. The estimated cost to the Council is £400k.

### h) Business Plan

It is estimated that an allowance of £750k (an increase of £250k) is required to finance service developments and new responsibilities that the Council will be expected to take forward.

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### 14.3 Change in Funding

The reasons for the change in funding estimates are set out below:

a) Government Grant

Information received from Government via the LGFS has led to an increase in grant funding of £10.494m.

b) Reduction in Retained Business Rates

Retained Business Rate income is expected to be marginally lower than the initial projections given the anticipated on-going impact of business rate appeals.

c) Increase in Council Tax Income

The increase in Council Tax income reflects the policy of increasing Council Tax by up to 1.99% per year from 2017/18 together with the anticipated increase in Council Tax Tax Base, thus generating an anticipated £1.169m of extra resources.

d) Improved Better Care Fund

The Council expects to secure additional funding paid as a grant directly to the Local Authority. The funding commences 2017/18 and increases up to 2019/20. Part of the allocation is intended to compensate Authorities with a low Council Tax base that cannot secure sufficient resources from a 2% Adult Social Care precept.

It is assumed for planning purposes that £716k will be received and that the full improved Better Care Fund allocation will be required to meet additional social care pressures.

e) 2% Adult Social Care Precept

Council policy is now to increase the Council Tax by 2% with regard to the Adult Social Care Precept and utilise this to support adult social care, hence the generation of £3.071m additional resources. As this is a new development, it had not previously been included in budget projections.

f) Parish Precept

A consequence of the increase in the Council Tax Tax Base is the small increase in Parish Precept income, which will be passed onto the Parishes.

14.4 Table 26 sets out the anticipated budget position for 2017/18 having regard to the latest financial information. Clearly, this is still subject to change as budget setting for 2017/18 develops

**Table 26 – Estimated 2017/18 Revenue Position**

Estimated revenue position 2017/18	2017/18 £m
<b>Prior Year Net Revenue Budget – 2016/17</b>	<b>190.323</b>
Adjustment to Base Budget - One off reserves	0.250
Adjustment to Base Budget - SEND Reform Grant	(0.181)
Adjustment to Base Budget – Subject to Consultation	0.144
<b>Revised Base Position</b>	<b>190.536</b>
<b>Expenditure Pressures/Amendments:</b>	
- Pensions	1.474
- Pay Award	1.000
- Inflation	1.880
- Investment Fund	1.682
- Business Plan	0.750
- Levies	1.732
- End of Change to Terms and Conditions	2.000
- Fair Employment Charter - Adult Social Care - Impact of National Living Wage	2.445
- Other Social Care Pressures - Care Act 2014	0.716
- New Budget Resilience Issues	0.596
<b>Total Budget Pressures/Resilience Issues</b>	<b>14.275</b>
<b>Total Expenditure</b>	<b>204.811</b>
<b>Funded By:</b>	
- Business Rates Top Up	30.832
- Revenue Support Grant	30.428
- ILF Grant	2.748
- Housing Benefit Administration Grant	0.785
- Council Tax Administration Grant	0.297
- Education Services Grant	2.334
- New Homes Bonus	2.700
- Improved Better Care Fund Grant	0.716
- Multiplier Cap Grant	0.966
<b>Total Government Grant Funding</b>	<b>71.806</b>
- Retained Business Rates	29.868
- Council Tax Income	79.107
- Adult Social Care Precept	3.071
- Parish Precepts	0.245
<b>Revised Budget Funding</b>	<b>184.097</b>
<b>Net Gap/Budget Reduction Requirement</b>	<b>20.714</b>
<b>Approved Use of Reserves</b>	<b>(0.250)</b>
<b>Revised Budget Reduction Requirement</b>	<b>20.464</b>
<b>2017/18 impact of 2016/17 Budget Reductions</b>	<b>(0.309)</b>
<b>Gap to Find</b>	<b>20.155</b>



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## **Achievement of a Balanced Budget**

- 14.5 The next stage in the two year budget process is to work towards finalising budget reductions for 2017/18 based on current projections. Work has already begun and will continue throughout 2016.
- 14.6 Clearly there is still a lot of work to do to address the remaining budget reduction target of £20.155m, after £309k of budget reductions for 2017/18 have been allowed for, having been included with the 2016/17 proposals. It is also evident that good foundations have been laid and the established working arrangements are successful. Proposals to address the budget reduction target remaining gap for 2017/18 will be considered via the Leadership Star Chamber process and brought forward for detailed review and scrutiny during 2016/17.

## **15 The Medium Term Financial Strategy (MTFS)**

- 15.1 The Medium Term Financial Strategy is a core part of the Council's strategic framework and has a vital role to play in enabling the translation of the Council's ambition and priorities into action. This Medium Term Financial Strategy (MTFS) principally focuses on taking a forward look over a five year timeframe (2016/17 to 2020/21) at a range of major issues affecting the financing of Oldham Council.
- 15.2 The strategy considers:
- international and national economic influences on Oldham Council
  - local factors which influence policy within the Council including the Administrations priority of regenerating the borough and creating jobs
  - key Council policy areas
  - the influence of Central Government policy and strategy
- 15.3 The strategy brings together the key issues affecting the revenue budget, Housing Revenue Account budget, treasury management strategy, statement on the use of reserves, capital strategy and capital programme. It projects the level of available resources and budget pressures relating to both capital and revenue funding streams. It therefore highlights the budget challenges that will need to be addressed by the Council over the coming financial years. The MTFS is included in a further report presented to this meeting.

## **16 Fees And Charges**

- 16.1 Attached at Appendix 13 are the proposed fees and charges for the 2016/17 financial year. An element of the charges have been uplifted following discussions with the Heads of Service, however a number are proposed to remain at the same level as last financial year.
- 16.2 At this stage where services have proposed to increase fees and charges, due to volatility, income budgets only increase if the change already forms part of a budget reduction proposal.

## **17 Options/Alternatives**

- 17.1 Council can make comments on the budget reduction proposals/information included in this report and revise the budget reduction proposals/resource allocation outlined in this paper.

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## **18 Preferred Option**

- 18.1 That Council approves the budget, including the £5.077m of budget reduction proposals, and Council Tax levels proposed within this report.

## **19 Consultation**

- 19.1 The presentation of these proposals forms part of the detailed consultation stage of the 2016/17 budget process.
- 19.2 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.
- 19.3 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 asked residents to get involved in an online discussion about how the Council should spend its budget and invited them to share their budget reduction ideas. The video was promoted via social media and the Council's website and since its launch on 5 August attracted more than 284,318 views.
- 19.4 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.
- 19.5 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 which offered a tear-off reply slip asking for feedback and ideas.
- 19.6 We are 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.
- 19.7 Wherever possible we will respond directly to comments and suggestions offering further information about Council spend and services.
- 19.8 Alongside the Council's public consultation around the 2016/17 budget challenge, we have also engaged in specific consultation around the budget reductions where there is an impact on the local community. Where appropriate the feedback received has been reflected in the EIAs. The website information around the proposals included a link to a 'mailbox' for additional comment. There has also been consultation with businesses and key partners including the Clinical Commissioning Group, provider organisations and the Voluntary and Community Sector (VCS).
- 19.9 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.
- 19.10 Voluntary Sector partners have been actively involved in the work around reducing the commissioning and grant funding activity for VCS organisations.

## **20 Financial Implications**

- 20.1 Dealt with in the detail of this report.

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## **21 Legal Services Comments**

- 21.1 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)

## **22 Co-operative Agenda**

- 22.1 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.

## **23 Human Resources Comment**

- 23.1 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 reductions specific to the Tranche 3 options in addition to those already shared with the unions in Tranches 1 and 2.
- 23.2 The S188 documents for T1 and 2 shows a potential 136.5 FTE job losses; thus a total of 141.5 job losses. 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.
- 23.3 Proper and meaningful consultation has to be exhausted in advance of the approval and subsequent implementation of any new arrangements. Where consultation had not been completed, these items were moved for final approval to this Council meeting in order to ensure meaningful consultation based on complete proposals takes place. As detailed in the report this will be the case for 2 x Tranche 1 options; namely E004 and C001, and for 4 x Tranche 2 options; namely D006, D007, E010 and E012a where due to either the complexity of the option has meant that staff consultations were not completed in time for approval at the nominated Council meeting. In addition the revised options also reduce the potential total job losses to 103.2 FTE.
- 23.4 As detailed in appendices 1, 3 and 5, these options account for 39.2 FTE of the potential job losses. Implementation of these options will not commence until after the Council meeting in February and it is therefore unlikely that full year reductions will be achieved where it is necessary to issue notice (up to 12 weeks) to those employees who have been selected for compulsory redundancy. In addition there are four of the options, namely C001 – Business Support, E004 Mental Health, E012 (a) - Adult Social Care and D007 – Day Care where proper minimum consultation will not have concluded by the Council date. In this instance Council meeting will need to approve the level of reductions to be achieved but note only the proposed method for doing so. Where necessary, budget reductions could be found in short term by alternative means whilst consultation continues to bridge any gap.
- 23.5 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)

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## **24 Risk Assessments**

- 24.1 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)

## **25 IT Implications**

- 25.1 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.

## **26 Property Implications**

- 26.1 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.

## **27 Procurement Implications**

- 27.1 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.

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

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

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

- 29.1 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.

- 29.2 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.

- 29.3 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.

29.4 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

29.5 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**

29.6 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.

29.7 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.

29.8 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.

29.9 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

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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.

29.10 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.

29.11 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**

29.12 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.

29.13 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.

## **30 Equality Impact Assessment Completed**

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

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**31 Key Decision**

31.1 Yes

**32 Key Decision Reference**

32.1 CFHR-28-15

**33 Background Papers**

33.1 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 14  
Officer Name: Anne Ryans  
Contact No: 0161 770 4902

**34 Appendices**

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Appendix 1 – Summary Tranche 1 Budget Reduction Proposals to approve  
Appendix 2 – Detailed Tranche 1 Budget Reduction Proposals and EIAs in relation to Appendix 1  
Appendix 3 – Summary Tranche 2 Budget Reduction Proposals to approve  
Appendix 4 – Detailed Tranche 2 Budget Reduction Proposals and EIAs in relation to Appendix 2  
Appendix 5 – Summary of Tranche 3 Budget Reductions to approve  
Appendix 6 – Detailed Tranche 3 Budget Reduction Proposals and EIAs in relation to Appendix 5  
Appendix 7 – Summary of Approved Tranche 1 and Tranche 2 Budget Reduction Proposals  
Appendix 8 – Full Summary of 2016/17 & 2017/18 Budget Reduction Proposals  
Appendix 9 – Calculation of Council Tax Tax Base  
Appendix 10 – Council Tax Schedule  
Appendix 11 – Indicative Budget Presentation 2016/17  
Appendix 12 – 2016/17 Local Government Finance Settlement  
Appendix 13 - Schedule of Fees and Charges  
Appendix 14 – Pay Policy Statement