APPENDIX 1

Oldham Metropolitan Borough Council

Medium Term Financial Strategy

2016/17 to 2020/21

Investing in Oldham

Foreword to the Medium Term Financial Strategy

The Medium Term Financial Strategy (MTFS) 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 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.

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 and regional policy and strategy

The strategy brings together the key issues affecting the revenue budget, Housing Revenue Account budget, capital strategy and capital programme and treasury management strategy. It projects the level of available resources from all sources and budget pressures relating to both capital and revenue funding streams. It therefore highlights the budget issues that will need to be addressed by the Council over the coming financial years.

This is a challenging time for Local Government. The Government's drive to reduce the national deficit has led it to significantly decrease the level of funding for the Local Government sector. Councils such as Oldham are still heavily reliant on Government funding and have been especially hard hit by the reduction in this funding. Although the Settlement for 2016/17 and future years is less severe than had been expected, this has still resulted in anticipated net grant funding reductions of £12.133m in 2016/17 and £16.044m budget reductions having to be made in order to set a balanced budget. The impact of Government funding reductions is evidenced in this document by the level of budget reductions required over each of the five years of the MTFS.

More detail on the Council's 2016/17 budget is contained in the Budget Report 2016/17.

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1 INTRODUCTION

1.1 Purpose of the Medium Term Financial Strategy

The Medium Term Financial Strategy (MTFS) 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. The purpose of the MTFS is:

“To identify how the Council wishes to structure and manage available resources over the medium term (five years) and to ensure that resource allocation is aligned with and supports Council priorities and objectives contained within the Corporate Plan.”

The MTFS is an assessment of the Council’s current financial position and a determination of the financial position the Council wishes to be in over the medium term, the five years 2016/17 to 2020/21, given the environment the Council operates in and its ambitions. In this way the Council not only secures the delivery of essential public services in the present, but also makes sure it is in a sustainable position to do so over the medium term and beyond.

The MTFS is currently orientated towards the analysis and review of revenue budgets. The Capital Strategy and Treasury Management Strategy deal in more detail with capital assets and the consequences of borrowing for capital purposes, however where these strategies have an influence on the revenue budgets and reserves, the implications have been included within this strategy.

The Council has approached budget setting for 2016/17 and 2017/18 as a two year exercise and initially highlighted a headline £60m budget challenge over the two years. It also had regard to the financial challenges in future years but in the main, focus has been concentrated on balancing the budget for 2016/17 and identifying budget reductions to contribute towards bridging the budget gap in 2017/18.

There was a detailed review of assumptions used to calculate the budget gap during 2015 and hence the budget reduction requirement. This was informed by the Chancellors Summer Budget, unexpected funding notifications from Central Government, trends in inflation, other Government policy announcements and changes in issues directly under the influence of the Council, for example revisions to capital spending plans. None of these changes could have been foreseen when the initial budget gap was calculated. The revised estimates meant the budget gap for 2016/17 was reduced to £18.194m compared to the originally calculated £29.489m gap. The budget gap for 2017/18 was reduced from £29.903m to £25.200m. These revised budget reduction targets have therefore influenced the financial planning position in the months prior to the receipt of the Local Government Finance Settlement which gave definitive grant funding figures for 2016/17 and indicative funding allocations for 2017/18, 2018/19 and 2019/20.

The 2016/17 budget has been developed and agreed within the context set by the MTFS.

1.2 Links to Key Corporate Objectives

The MTFS is framed by the Council's ambition for a co-operative future where everyone does their bit to create a confident and ambitious borough. The Council's corporate objectives underpin this ambition and set out the main focus areas:

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

These objectives reflect the on-going commitment to ensure the Council works to serve the people of Oldham in all that it does and provides strong leadership for the borough. Such leadership is essential if the borough is to be able to meet the immediate challenges faced in a way that means it is stronger and able to make the most of opportunities in the future. The Council has, as would be expected, approached its budget setting and financial planning processes with the achievement of corporate objectives underpinning decision making.

1.3 National and External factors

1.3.1 The National Context

The General Election held in May 2015 returned a majority Conservative Government. The Chancellor's Emergency Budget in July 2015 included £37bn of further spending cuts by 2020 outlining the Government's intention to continue with its plans to reduce the national deficit by the end of the Parliament. The Government's plan included £12bn of welfare cuts, £5bn from reducing tax avoidance, and a £20bn reduction in departmental budgets. The Government's strategy to reduce the national deficit remains to reduce public sector expenditure especially in unprotected areas such as Local Government. During summer 2015 each unprotected Department (including the Department for Communities and Local Government (DCLG)) were asked to develop saving plans for 25% and 40% of their budget. These plans were used to inform the Spending Review (SR) which the Government confirmed would inform the 2016/17 Local Government Financial Settlement.

The Government published its 2015 SR and Autumn Statement on 25 November 2015. The SR gave a five year view of the Government's spending plans looking at the budgets of all the Government's departments. It confirmed how £4 trillion of taxpayers' money would be used by setting the maximum amount that each department can spend. The Government plans to deliver a £10.1bn national budget surplus by the end of the Parliament. The Government's economic forecasts detailed in the SR for the remainder of the Parliament contrast with 2014 and are set out in the tables below:

Table 1a - Economic Forecast

	2015	2016	2017	2018	2019	2020
GDP increase (%)	2.4	2.4	2.5	2.4	2.3	2.3
CPI inflation (%)	0.1	1.0	1.8	1.9	2.0	2.0
Employment (£Millions)	31.1	31.5	31.7	31.9	32.0	32.2

Table 1b Public Sector Net Borrowing

	2015	2016	2017	2018	2019	2020
Public Sector Net Borrowing (£Billions)	3.9	2.5	1.2	0.2	-0.5	-0.6

Table 1c Public Sector Spending

	2015	2016	2017	2018	2019	2020
Public Sector Current Expenditure (£Billions)	682.3	696.0	710.7	725.5	742.0	767.0
Total Managed Expenditure as a % of GDP (%)	39.7	39.1	38.1	37.2	36.5	36.4

1.3.2 Government Spending Priorities

The Government's headline Spending Priorities set out in the SR are to:

- spend 2% of Gross Domestic Product (GDP) on defence for the rest of the decade
- spend 0.7% of Gross National Income on overseas aid
- provide the NHS in England £10 billion per year more in real terms by 2020/21 than in 2014/15
- increase the basic State Pension by the triple lock in April 2016, so that it rises to £119.30 a week
- protect schools funding in England in real terms over the Spending Review period
- protect the national base rate per student for 16-19 year-olds in school sixth forms, sixth form colleges and further education colleges in England for the rest of the Parliament
- offer new financial support for further and higher education, with almost £1 billion of new loans by 2020/21 for part-time maintenance, postgraduate and higher level skills courses
- protect overall police spending in real terms over the Spending Review period
- maintain funding for the arts, national museums and galleries in cash terms over the Parliament

In addition, a key strand in the Government's strategy is cutting departmental spending in real terms by an average of 0.8% year on year. The impact on Local Government funding is a reduction in Local Government grants of £6.1bn. The Government intends that the Local Government sector will become self-financing with reliance on locally generated Council Tax and Business Rates (with the introduction of 100% Business Rates Retention).

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 decline in Government grant funding. The phased withdrawal of Revenue Support Grant (RSG), the Councils main unringfenced grant funding source, is expected by 2020/21. 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, it had fallen to £51m in 2015/16 and with funding from this one grant expected to disappear completely, it will leave a considerable gap in financing. Although Government anticipates locally generated funding (Council Tax and Business Rates) should make good this shortfall, this will be challenging in Oldham given the comparatively low tax bases unless there is some form of Government support. The consultation papers (when released) outlining the 100% Business Rates Retention scheme will be of significance for Oldham. The Government has indicated that there will be some form of funding equalisation and the consultation paper should outline the Government's approach.

A number of other consultations on changes to be made to the Local Government Finance System are expected in addition to Business Rates Retention. It is expected additional responsibilities will be given to Local Authorities over the next five years in tandem with the new funding arrangements.

Other planned reforms announced were:

- An additional 2% Council Tax precept to fund the costs of adult social care which is to be applicable from 2016/17
- Additional Better Care Fund funding to support the integration of health and social care, available from 2017/18
- The use of capital receipts to fund the revenue costs of service transformation applicable from 2016/17
- Reforms to the payment of the New Homes Bonus grant with savings generated expected to be used to fund the costs of social care to be introduced from 2017/18

The Council will have to respond to these reforms and the financial challenges they present. Whilst the Council continues to identify budget reductions, evidence suggests that the level of reduction required can only be achieved by the Council considering how services can be delivered differently over the next five years.

1.3.3 What Does This Mean for Local Government Funding?

The 2016/17 Provisional Local Government Finance Settlement 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.

The Final Local Government Finance Settlement was issued on 8 February 2016. This confirmed all the 2016/17 funding notifications included in the Provisional Settlement.

The Settlement provided funding allocations covering four financial years, 2016/17 to 2019/20 in an aim to assist Local Authorities with their financial planning. However as there is only certainty in relation to 2016/17, this has only helped to frame the financial forecast for 2016/17 and provide background information for forecasts for 2017/18 and future years. Future year's figures will be amended in accordance with future events including the transfer of new responsibilities.

The Government has advised that in return for certainty over funding allocations for the four year period 2016/17 to 2019/20, Councils can agree to the preparation of an efficiency plan. The detail required in such plans has not yet been released. However, certainty of funding would greatly enhance the MTFS.

The Settlement advised that Local Authorities will face an overall reduction in spending power of 9.62% for 2016/17. It introduced a new benchmark of Council spending, the Core Spending Power (CSP). Oldham's CSP for 2016/17 as assessed by Government is £181.932m. The CSP uses the RSG allocation and assumes a growth in Business Rates and Council Tax neither of which align with local assumptions. It also assumes that the 2% Adult Social care precept will be applied and that the New Homes Bonus Grant will be higher than the figure calculated locally. An estimate of the CSP on the same basis as local assumptions is £178.392m. This is an increase on the comparative expected CSP of £172.523m reported to Council at the meeting on 16 December. Whilst the Settlement is more favourable than expected, some grants have been rolled into the RSG allocation, so the increase in RSG is less generous that it appears.

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1.3.4 Other Key National Factors

The work undertaken by the Coalition Government and more recently by the Conservative Government has resulted in major changes to the role of, and arrangements for Local Authorities. Key changes in the policy landscape include:

Public Service Reform

Greater Manchester was one of four areas nationally to pilot Community Budgets. The pilot has focused on developing new investment and delivery models across public services in order to promote growth and productivity whilst reducing dependency driven demand. The key focus for this work is on prevention and supporting residents to be more independent and resilient enabling better outcomes for them and reducing the need for high-cost, reactive public services. This agenda has helped to shape some of the 2016/17 budget proposals and will have an increasing influence on service delivery in future years.

Changes to Role and Duties of Local Government

These changes have included responsibility for Public Health transferring to Local Authorities as well as delegation of a range of functions including administration of the Council Tax Reduction Scheme and parts of the Social Fund. The Localism Act 2011 contained a range of opportunities for communities including the Community Right to Buy and to take over community assets, as well as challenge how the Council runs certain services. The Act also gives communities the right to veto via a local referendum, “excessive” council tax rises, in line with the annually set Government criteria for excessiveness.

De-centralisation is a key feature of the Government’s open public services policy. It aims to free up public bodies to deliver services differently and innovatively to balance the pressures of demand and reducing budgets. This provides the freedom to pursue an innovative public service reform agenda and is completely consistent with the Council’s transformation agenda.

Local Government Finance Legislation

The Local Government Finance Act 2012 included a range of changes that fundamentally altered the way Local Authorities are financed. The Act permits Local Authorities to retain a proportion of locally generated business rates, thus aiming to connect Council financing to the local economic position. The Act provided the framework for the localisation of support for Council Tax in England. There is a requirement to consider the Council Tax localisation scheme on an annual basis with 2016/17 being the fourth year of operation. Council approved the 2016/17 scheme on 4 November 2015. This was unchanged from the 2015/16 scheme. In addition, the Act introduced changes to Council Tax rules in relation to charges on empty properties and the Council has utilised these new powers to support its localised Council Tax Reduction scheme.

Further changes to Local Government finance are expected to be announced in 2016/17. As advised earlier, the major change will be the 100% Business Rates Retention although its full introduction is not expected until 2020/21. It would seem that this would not be positive for Oldham as the Council is currently a beneficiary from the national business rates pool, which means we receive a Top-Up Grant from the Government. Whilst it was intimated that an equalisation mechanism would still operate in future, the detail about how the scheme will operate is not known. Once the detail is available the Council will be in a better position to determine the impact of the change. A consultation on the implementation of 100% Business Rates Retention is expected to be issued during 2016.

Welfare Reform

The Welfare Reform Act 2012 introduced fundamental changes to the social security benefit system. Universal Credit (UC) is becoming the main means-tested social security benefit for people of working age, replacing Housing Benefit, Income Support, Income-Related Employment and Support Allowance (ESA), Income-based Jobseeker's Allowance (JSA), Working Tax Credit and Child Tax Credit. UC is being phased in across the country between 2013 and 2017. However, the Council has acted as a pilot Authority for the new regime and as such is one of the first Local Authorities to phase in UC. As more elements of UC are introduced there are likely to be further implications for the Council and benefit recipients.

The Governments July 2015 Budget announced there would be a further £12bn reduction in spending on welfare. This is to be achieved through a number of means including a freeze on working age benefits and lowering of the benefit cap even further. In an unprecedented move, the abolition of tax credits which was also cited as a measure in the July 2015 Budget was stopped by the House of Lords. The Chancellor's full response to this in terms of an alternative or amended set of measures is still to be announced.

The SR however, confirmed that welfare reforms will be implemented over the life of the Parliament. This will present further challenge and will have a significant impact for Oldham residents. 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 four years is over £40m. If all proposals 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.

Devolution
The Greater Manchester Devolution Agreement was signed with the Government in November 2014. It brings both the decision making powers and greater control of financial budgets far closer to the people of Greater Manchester. This gives them and their local representatives control over decisions which have until now been taken at a national or regional level.

The implications of the Cities and Local Government Devolution Act largely relate to providing the legislative context for the implementation of the Manchester Devolution Deal agreed with the Government in November 2014. The Act will provide the context for the Greater Manchester Combined Authority to assume responsibilities currently performed and delivered by other public bodies. The key element of this is that such assumption of powers would only be with the agreement of the public agencies involved e.g. Local Authority and Health Authority functions.

Health and Social Care Devolution
February 2015 saw a Memorandum of Understanding (MoU) signed between the 10 Local Authorities that make up the Association of Greater Manchester Authorities (AGMA), all Greater Manchester Clinical Commissioning Groups (CCGs) and NHS England (NHSE) and from April 2015, Greater Manchester began moving towards taking full control and responsibility of the £6bn Health & Social Care Budget and the creation of its own sustainable Health & Social Care system by 2021.

The areas of the Health & Social care system that are included in the agreement are:

- Acute care (including specialised services);
- Primary care (including management of GP contracts);
- Community services;
- Mental health services;
- Social care;
- Public Health
- Health Education
- Research and Development

As part of the MoU, AGMA, CCGs and NHSE have outlined the following shared objectives. These are to:

- improve the health and wellbeing of all of the residents of Greater Manchester (GM) from early age to the elderly, recognising that this will only be achieved with a focus on prevention of ill health and the promotion of wellbeing. We want to move from having some of the worst health outcomes to having some of the best;
- close the health inequalities gap within GM and between GM and the rest of the UK faster;
- deliver effective integrated health and social care across GM;
- continue to redress the balance of care to move it closer to home where possible;
- strengthen the focus on wellbeing, including greater focus on prevention and public health;
- contribute to growth and to connect people to growth, e.g. supporting employment and early years services; and
- forge a partnership between the NHS, social care, universities and science and knowledge industries for the benefit of the population.

Each locality will continue to build on existing arrangements (e.g. Better Care Fund and Healthier Together) and agree a local area plan for integration of health, social care and public health/prevention to be implemented from April 2016. The Council has worked with Oldham CCG on the completion of a Locality Plan. This will be finalised before the end of March.

The Council is working with the CCG to consider how the Council's Adult Social Care and CCG budgets can be deployed more effectively by joining up delivery of services and working around a pooled budget arrangement. This will build upon the existing pooling arrangements for the Better Care Fund which is currently paid to the CCG but is used in partnership with the Council. There is still much work to be done to take this forward, but good foundations have been laid to facilitate progress in 2016/17.

Better Care Fund and Healthier Together

The Better Care Fund (BCF) was established in 2013 and provides an opportunity to transform local services to provide better integrated care and support. CCGs and Local Authorities must jointly agree how the funds are spent, so it is essential to ensure the fund is developed in the interests of both parties. As advised above, this has been working effectively for some time. The Government announced as part of the SR that an additional £1.5bn of BCF funding would be available nationally to Local Authorities from April 2017 to support the integration of health and social care. Initial allocations of funding have been included in the MTFS and allocated to health and social care provision.

Healthier Together is a key element of health and social care reform across GM and is concerned with the reconfiguration of hospitals and primary care across Greater Manchester**.** Decisions taken in 2015 result in the creation of four single services (network of hospitals) in GM which commissioners believe will improve outcomes for patients and cost less money. The Royal Oldham Hospital will be in a network with North Manchester, Rochdale and Bury hospitals and Oldham will be one of four hospitals across GM which provides general emergency surgery.

1.3.5 Other Changes Expected in 2016/17

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 include:

- **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. This Bill is currently passing through the House of Lords, having been formally passed through the House of Commons. The Bill is currently at the final stage (third reading) prior to its passing as legislation. It is expected that the Bill will formally become legislation following the Final Report Stage in the House of Lords.

- **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.

- **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.

- **Energy Bill** - Measures will be introduced to increase energy security and ensure there will be affordable and reliable energy for businesses and families. The Government proposes to establish the Oil and Gas Authority as an independent regulator and would transfer responsibility for giving consent for any offshore wind farms in England and Wales from Whitehall to local planning authorities.

- **Trades Union Bill** - The main elements of the Bill are a 50% voting threshold for union strike ballot turnouts, and a requirement that 40% of those entitled to vote must back action in essential public services - health, education, fire and transport. There will also be the introduction of "a transparent opt-in process for the political fund element of trade union subscriptions".

- **Education and Adoption Bill** - This Bill is designed to raise standards in schools. Under the plans, new powers would be brought forward to speed up the process of changing a failing school's leadership and turning it into an academy. The Bill will also give the Secretary of State for Education new powers to force local Councils to hand over their responsibilities for adoption to another authority or agency.

- **Cities and Local Government Devolution Act** - 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 Council’s MTFS.

1.3.6 National Living Wage

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.

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.

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.

1.3.7 Employment

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 people in Oldham unemployed.

- 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.

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.

1.4 Key Assumptions

A number of assumptions have been made in developing the MTFS. The accuracy of these assumptions is regularly and closely monitored and any necessary amendments made. As highlighted previously, there is some uncertainty around Government funding in particular and this has an impact on the way that some of the assumptions have been made.

1.4.1 Revenue Funding

The Council's revenue funding comes through a number of different sources including Council Tax, Business Rates and Central Government support:

- **Council Tax Income**

This is the largest single revenue stream that is used to support the Council's revenue budget. Council Tax income changes each year due to changes in the tax-base (increase/decrease in chargeable Band D equivalent properties) and the Council's annual decisions on the level of the tax.

- **Business Rates**

Following from the changes introduced in 2013, the Council retains 49% of the Business Rates it collects (1% is paid to Greater Manchester Fire and Rescue Authority and 50% to the Government). Given the low Business Rates tax base, the Council receives additional support from Central Government via the Business Rates Top Up grant. As outlined in section 1.3.2, the Government intends to consult on the introduction of 100% retention of Business Rates income by 2020/21.

- **Revenue Support Grant**

The RSG is the largest unringfenced general fund grant that is provided by Central Government. As an unringfenced grant this underpins the provision of all services provided by the Council. As outlined in section 1.3.2 the Government plans to phase out the RSG by the end of Parliament so that Councils will be self-financed using Council Tax and funding the Council will receive via the 100% Business Rates retention regime.

- **Other Grants**

The Council receives a range of other unringfenced grants from Government, although each of them is aimed at addressing specific issues, they are also used to underpin the general operation of Council and not specific services. As part of the Business Rate consultation the Government will also review the allocation of these resources.

In addition, there are ringfenced grants which have to be used for the purpose intended. These include Dedicated Schools Grant, Public Health Grant and Housing Benefit Subsidy.

1.4.2 Revenue Funding Assumptions

The key revenue funding assumptions included in the Council's MTFS are:

Council Tax
The MTFS assumes a Tax Base (the number of Band D equivalent properties) increase in 2016/17 of 1,005 as a result of issues such as new properties being built, less households claiming Council Tax Reduction and empty properties being brought back into use. An increase has been assumed in the tax bases for 2017/18 to 2020/21.

A general Council Tax increase of 1.70% in 2016/17 and of up to 1.99% year on year from 2017/18 to 2020/21 has been assumed in the MTFS. It is also assumed that a 2% Adult Social Care precept will be levied year on year from 2016/17 to 2020/21. This produces a 3.70% Council Tax increase in 2016/17 and 3.99% increase year on year from 2017/18 to 2020/21.

Following the Government announcement that a 2% precept can be charged to fund the costs of Adult Social Care from April 2016 the referendum limit on raising Council Tax has been increased from 2% to 4% for 2016/17. This is assumed to be unchanged across all years of the MTFS.

Business Rates
Following the announcement of the implementation of the 100% Business Rates retention by 2020, the Council's MTFS has been updated to reflect this, although there is uncertainty as to how this will be implemented and the impact it will have on Oldham.

For 2016/17 to 2019/20 the Council's MTFS assumes that the existing Retention of Business Rates system will be remain in place. The expected Business Rates income has been calculated using the Government's assessment announced in the Local Government Finance Settlement adjusted for local knowledge and experience of the collection rates in 2014/15 and 2015/16. Top Up Grant estimates are based upon the Settlement.

Although the new Business Rates regime is expected to be in place from 2020/21 no attempt has been made to estimate its impact and 2020/21 has been treated in the same manner as all earlier MTFS years.

During 2016/17, the Council will receive the Small Business Rates Relief Grant under the powers of Section 31 of the Local Government Act 2003. This grant is assumed to end in 2017/18 but this should not impact on the overall level of the Council's funding as this should result in a corresponding increase in Business Rates.

The Council will also receive the Section 31 Multiplier Cap Grant in 2016/17. The MTFS assumes the grant will be paid at the same level for the period of the MTFS.

Business Rates Pooling

The Council will be a member of a 2016/17 Business Rates pool with the nine other Greater Manchester Councils, Cheshire East and Cheshire West and Chester Councils. This pooling arrangement should bring some financial benefits. The resources available from the Business Rates pool are expected to be for use at Greater Manchester level and no direct benefit to Oldham has been assumed at this time. The continuation of the pooling arrangement beyond 2016/17 has not been assumed.

Revenue Support Grant

Revenue Support Grant (RSG) MTFS estimates for 2016/17 are based upon the four year figures included in the Settlement. The MTFS assumes that the RSG will be phased out in full by 2020/21 following the implementation of the 100% Business Rates Retention regime outlined above, however, as advised above, no attempt has been made to estimate the impact of the new funding regime so an assumed RSG figure has been included in 2020/21.

Public Health

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. This in year reduction in grant has been met from reductions in spend and one-off resources such as reserves. Public Health funding for 2016/17 was announced on 11 February 2016 with a grant allocation of £17.775m. This confirmed the 2015/16 in-year cut and represents a further loss in funding of £0.411m when compared to a full year comparative allocation for 2015/16. The MTFS includes £0.510m in 2016/17 to offset the reduction in the grant. The MTFS assumes that any further grant reductions above this amount will be found through spend reductions creating a cost neutral position. The allocation for 2017/18 has been notified at £17.337m.

Public Health Grant is ringfenced for only 2016/17 and 2017/18 after which time the Government expects funding should be available from Business Rates. The potential impact on the general resources of the Council could be significant. However as no detail around Governments intentions for Public Health have been announced, a neutral position has been assumed.

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 Tax Base that cannot secure full recompense for adult social care pressures from a 2% adult social care precept.

An allocation of £0.716m has been included in 2017/18 increasing to £8.150m by 2019/20. It is assumed for planning purposes that the full improved Better Care Fund allocation will be required to meet additional social care pressures.

Other Grants

MTFS estimates for 2016/17 are based on the allocations that have been advised via the Local Government Finance Settlement alongside supplementary grant allocations paid by Central Government. For 2017/18 to 2020/21 funding estimates are based on Treasury assumptions on the whole of the public sector, expert Local Government commentators' advice and local experience and knowledge.

Ringfenced grants are based on the allocations that have been notified by the funding body.

1.4.3 Reserves and Balances

The Council's accounts for 2014/15 were prepared based on there being £85.046m of earmarked reserves that could be used to support General Fund Services. Schools and grant related reserves are excluded from this figure and are held in separate reserves. At month 8 2015/16, £8.166m of these reserves had been utilised and further resources will be called down to support planned spending during the remainder of 2015/16 with some reserves topped up leaving an estimated balance of £76.880m going into 2016/17.

The Council's reserves policy sets out the priorities for setting monies aside and identifying reserve requirements on a corporate basis. As financial resources reduce it will become increasingly important to ensure monies set aside in reserves are considered appropriately so that they can be used to have maximum effect. This also ensures that the Council is able to demonstrate its financial resilience as detailed in section 5. The Council's reserves as at 1 April 2015 and the anticipated position at 31 March 2016 are shown below:

Table 2 – Reserves Position

Earmarked Reserves	2015/16 Opening Balance £m	2015/16 Estimated Closing Balance £m
PFI Sinking Fund Reserve	3.209	3.209
Budget Reserve	3.560	3.560
Business Units Reserve	0.756	0.756
Children's Reserve	2.000	1.794
District Partnership Reserve	0.882	0.440
Efficiency Reserve	6.000	6.000
Fiscal Mitigation Reserve	1.962	1.962
Future Liabilities Reserve	3.844	3.844
Insurance Reserve	12.968	12.968
PFI Reserves	6.770	6.770
Special Projects Reserve	5.453	4.938
Levy Reserve (Waste Smoothing)	2.643	2.643
Adverse Weather Reserve	1.643	1.643
Taxation Reserve	0.603	0.603
Directorate Reserves	6.338	3.567
Corporate Strategy	26.415	22.183
Total	**85.046**	**76.880**

The Corporate Strategy Reserve encompasses resources set aide to assist with the fulfilment of strategic priorities and includes**:**

- General Capital Reserve
- Demand Changes Reserve
- 0-5 Years Reserve
- Pay and Reward Reserve
- Commissioning and Legal Challenges Reserve
- Equipment Replacement/Building Maintenance Costs Reserve
- Learning and Attainment Reserve
- Devolution Reserve
- Economic Downturn Reserve
- Business Rates Reserve

With continued reductions in funding expected over the period of the MTFS, the use of reserves will allow the Council to mitigate the need for additional budget reductions. The position will be managed on an annual basis in accordance with the overall corporate position and prevailing external influences.

At the end of 2014/15 the Council closed its accounts with balances of £18.122m. A risk based review of balances has taken place to support 2016/17 budget setting and this suggests a prudent level of balances is £18.557m. The Month 8 financial monitoring report is currently projecting an under spend of £445k which would suggest the recommended level of balances can be achieved.

1.4.4 Flexible use of Capital Receipts

The Local Government Finance Settlement included new guidance that gives the flexibility to use capital receipts for qualifying revenue expenditure. This will be subject to the preparation of an efficiency plan and Council approval.

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

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

The MTFS has been prepared with no assumption of such a use of capital receipts.

1.4.5 Revenue Expenditure Assumptions

The key assumption in calculating the Council's MTFS is the expected levels of revenue expenditure are based upon the previous year's revenue budget allocations for each Portfolio, adjusted for any approved budget reductions and growth items.

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

- Portfolios will not overspend against their approved budget allocations.
- Budget pressures other than those that are approved to be funded corporately are expected to be met from within the Portfolio's approved allocations.
- There is a need to provide a budget allocation to address corporate pressures estimated at £0.750m in 2017/18 increasing to £1.750m in 2018/19 and £2.000m in 2019/20.
- Options for budget reductions are presented to and approved by Council as part of the budget setting process each year. These reductions are integrated into the base budget and are owned by the appropriate budget manager.
- Pay inflationary increases have been based upon local and national experience. The MTFS includes an assumed 1% year on year increase in pay.
- Non-pay inflationary increases are based on the latest Office for National Statistics assumptions for inflation. The MTFS includes an average 0.30% for inflation adjusted for local conditions and contractual agreements.
- Pension contributions are based upon the valuation and information provided by the Greater Manchester Pension Fund
- Capital financing interest payable and receivable are based on current market and economic outlook in line with the Council's Treasury Management Strategy

1.4.6 Levies

Estimates of expected levy payments within the MTFS are based upon the information provided by the Greater Manchester Waste Disposal Authority (GMWDA), the Greater Manchester Combined Authority (GMCA) and Environment Agency.

GMWDA
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. The GMWDA has however indicated an expectation that the levy will increase over the next four years given the impact of the Private Finance Initiative (PFI) scheme around which waste disposal facilities have been financed. An estimated increase of £1.732m has been assumed for 2017/18 with further increases for each year of the MTFS. There is a Waste Smoothing Reserve which prior to the start of 2015/16 stood at £2.643m. It is envisaged that this reserve can be used to support the budget as the levy increases. As the use of the reserves is only a one off, there will be a requirement to continue to top up this reserve to provide funds to offset future year increases in the waste levy.

GMCA
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.

The GMCA has not been able to provide future year forecasts at this point in time as there will be significant developments during 2017 with the election of an Elected Mayor for the City Region and the increase in devolved powers including the transfer of responsibilities for the Police and Crime Commissioner and the GM Fire and Rescue Service. This will greatly extend the scope of the Combined Authority and the details of this are still being worked through with Government including the governance arrangements and funding mechanisms which will apply.

Environment Agency
On 8 February 2016 the Environment Agency published its confirmed levy figures for 2016/17. It was confirmed that Oldham's levy will increase slightly in 2016/17 by £0.001m to £0.101m. As can be seen, the Environment Agency levy is comparatively small and given the pressure on public sector organisations to minimise cost increases and seek efficiency savings, no further increase is anticipated over the life of the MTFS.

1.4.7 **Other Contributions**

Association of Greater Manchester Authorities (AGMA)
The Council also makes a contribution for the services provided on behalf of the 10 Greater Manchester Councils by AGMA. On 29 January 2016 AGMA contributions were agreed at £0.599m for 2016/17 which is £0.008m more than the Council budget for 2015/16 and £0.008m more than anticipated. This revised sum is assumed across all future years of the MTFS.

1.4.8 Other Revenue Assumptions

Other major areas that impact on the MTFS and the assumptions are outlined below:

- Collection Fund is assumed to achieve a surplus of £0.196m in 2016/17 and a balanced position in all future years.
- Pensions and redundancy costs having to be met directly from revenue funds (there will be no capitalisation opportunities).
- General Balances and reserves are managed on a risk based approach as outlined in Statement of the Chief Financial Officer on Reserves, Robustness of the Estimates and Affordability and Prudence of Capital Investments.
- The Housing Revenue Account continues to operate within the self-financing regime for the two PFI schemes and any surplus or deficit is financed via the Housing Revenue Account Reserve.
- The Dedicated Schools Grant (DSG) provides funding for schools and other pupil related services and is a ring-fenced specific grant. For the purposes of the MTFS it is assumed that all eligible expenditure will be met from this grant and any surplus or deficit from schools will be met from their own school balances.
- Funding linked to working with the CCG and around the BCF continues at planned levels
- Work will continue with the CCG to take forward the integration of Health and Social Care as explained in more depth in the Stakeholder analysis and at a neutral impact over the life of the MTFS.

2.1 Stakeholder Analysis

The following tables detail the key stakeholders that are integral to supporting the Council in providing services. This analysis is used to assess the impact of the budget setting and medium term financial strategy would have on these key stakeholders.

Table 3 - Key Stakeholder Impact Analysis

Health & Wellbeing

Stakeholder	What potential impact might the Council have on them?	Key Joint Programmes	What potential impact might they have on the Council?	Level of potential influence over the Council	Level of interest in the Council's activity	Risks if they are not engaged
Oldham Clinical Commissioning Group (CCG)	Health and Social Care Devolution means that Oldham Council and Oldham Clinical Commissioning Group will begin taking joint control and responsibility of Oldham's integrated Health & Social Care Budget as of April 2016. The Council and CCG are aiming to develop joint governance and commissioning arrangements and will hold shared responsibility for the Oldham health and social care budget and outcomes from 2017. The Locality Plan for Health and Social Care Devolution sets out how that integration might work	Health and Social Care Devolution and the Oldham Locality Plan Better Care Fund GM Healthier Together Programme Social Value and Health Programme	The joint responsibility and control of integrated health and social care means that financial decisions of the Council and CCG will impact greatly upon each other and each will be required to make joint budget decisions Both the CCG and Council will need to be more aware of each other's financial decisions including implications for areas outside of any integrated health and social care commissioning system.	High	High	If not engaged then high risk that integration will not be achieved and outcomes won't be met. Also, need to engage on budget decisions that sit outside of integration but could impact on outcomes.

	in reality and the principles that both organisations will sign up to. Any decision that the CCG or Council makes on health and social care related budgets that sit outside of the agreement could impact on the overall outcomes.					
Pennine Acute (Acute Health provider agency)	The Council commissions and delivers many services that help prevent demand on acute health services (and will begin to commission more jointly with the CCG under Health and Social Care Devolution). If the Council is forced to cut these preventative services, this may ultimately increase demand on acute health services. In addition, the impact of health and social care devolution means that Pennine Acute will need to be aware of the joint health and social care ambitions of the CCG and Council and the joint commissioning intentions.	Health and Social Care Devolution GM Healthier Together Programme	Under devolution there is more potential for Pennine Acute, the Council and Oldham CCG to invest and integrate services.	High	High	An integrated health and social care system may mean that the Council has more responsibility and influence over acute care (in partnership with the CCG) so more engagement might be needed than previously.
Pennine Care (Community Health Provider Agency)	Many community health services have direct service delivery links with Oldham Council. Any changes to (especially reductions in) the Council	Health and Social Care Devolution	There is potential for the Council, the CCG and Pennine Care to work more closely together in an integrated health and social	High	High	Close working between the Council and Pennine Care will be crucial

	services that interact with CCG commissioned services may therefore require matched alterations in the CCG commissioned services to enable the joint offer to continue to be viable. In addition, the impact of health and social care devolution means that Pennine Care will need to be aware of the joint health and social care ambitions of the CCG and Council and the joint commissioning intentions.		care system to reconfigure services to achieve efficiencies and support residents to be more independent and self-reliant.			in enabling us to achieve integration, re-design services locally to reduce demand on high-cost, reactive services.
Oldham Community Leisure Limited (OCLL) (provider)	OCLL receives the majority of its funding from Oldham Council. The Council's financial decisions may therefore have a direct impact on the OCLL contract value.	Active Oldham	The way OCLL delivers its services has the potential to support the Council's co-operative ethos and to support the move towards encouraging residents to be more independent and self-reliant	High	High	As the key commissioners, if the Council chooses to alter their commission, OCLL will be bound to comply. However, their willingness in doing this will make it more likely to succeed.
Positive Steps Oldham (PSO)	PSO receives the majority of its funding from Oldham Council.	Early Help	The way PSO delivers its services has the potential to	High	High	As the key commissioners,

(Provider)	This Council's financial decisions may therefore have a direct impact on the PSO contract value.		support the Council's co-operative ethos and to support the move towards encouraging residents to be more independent and self-reliant			if the Council chooses to alter their commission, PSO will be bound to comply. However, their willingness in doing this will make it more likely to succeed

Cooperatives and Neighbourhoods

Stakeholder	What potential impact might the Council have on them?	Key Joint Programmes	What potential impact might they have on the Council?	Level of potential influence over the Council	Level of interest in the Council's activity	Risks if they are not engaged
Housing Providers	The Council provides a range of support to tenants in Social Housing - for example, employment-related support; social care support. If these services are altered, Oldham Housing Investment Partnership (OHIP) members would see a change in the services offered to their tenants.	Cooperative Housing Offer Residential Strategy Coops & Neighbourhoods Cluster Early Help Place	Changes to the welfare system and housing benefit are likely to impact greatly on housing providers and their sustainability which may result in a reduction in services to support residents and therefore impact on the Council. Housing providers are also integral to the Council in providing services around early help and a more integrated	High	High	Failure to agree a joint message may result in activity from both organisations being ineffective. If housing associations don't engage

		Leadership	neighbourhood management system. Social Housing Providers have significant influence over their tenants - a joint message supporting independence and self-reliance will increase the likelihood of achieving this objective; conversely, if we do not agree a joint message, there is the potential for us to undermine each other in work with social housing tenants.			with the Council and stop delivering services due to welfare and housing benefit changes this could potentially have a big effect.
Greater Manchester Fire & Rescue Service (GMFRS)	The Council commissions and delivers many services that help reduce demand on GMFRS. If the Council is forced to cut these preventative services, this may ultimately increase demand on GMFRS.	Community Risk Intervention Team (CRIT) Troubled Families Early Help	As GMFRS move towards a preventative model (beyond the Fire and Rescue role) and implement more joint partnership initiatives such as the CRIT they are likely to have a greater impact on the Council and reducing demand on some services like health and social care.	Medium	Medium	Failure to work jointly may result in resources being used ineffectively.
Greater Manchester Police (GMP)	The Council commissions and delivers many services that help reduce demand on GMP. If the Council is forced to cut these preventative services, this may ultimately increase demand on GMP.	Early Help Troubled Families and Transforming Justice, Multi Agency	If GMP can support the Council in identifying people likely to place high demand on GMP and to develop joint interventions to change residents' behaviours to reduce this demand, then this will	High	High	Failure to work jointly may result in resources being used ineffectively.

		Strategic Hub (MASH) Coops & Neighbourhoods Cluster Place Leadership	benefit GMP by reducing demand and contribute to overall objectives of increasing residents' independence and self-reliance.			
Greater Manchester Probation Service	The Council commissions and delivers many services that help reduce demand on the GM Probation Service. If the Council is forced to cut these preventative services, this may ultimately increase demand on the GM Probation Service.	Transforming Justice	If the GM Probation Service can support the Council in identifying people likely to place high demand on GM Probation and to develop joint interventions to change residents' behaviours to reduce this demand, then this will benefit GM Probation by reducing demand and contribute to overall objectives of increasing residents' independence and self-reliance.	Medium	Medium	Failure to work jointly may result in resources being used ineffectively
Voluntary Action Oldham (VAO)	Nearly 40% of funding to the voluntary sector comes from the Council – any budget reduction is likely to have a big impact on the sector and VAO. The Council's co-operative ethos encourages us to work strongly with the voluntary and community sector to strengthen the community's ability to help themselves. This requires close	Society Works Early Help Social Value and Health Programme Coops & Neighbourhoods Cluster	The Council and VAO are working together to enhance the co-operative ethos and to build a co-operative future as part of the devolution deal. VAO is able to provide advice, support and guidance to those voluntary organisations taking up the challenge and working collaboratively with the Council. It can also help us shape a	Medium	High	Failure to work jointly may result in resources being used ineffectively.

	liaison with the voluntary and community sector - both in terms of support from the Council and in terms of the shape of the services offered through the voluntary and community sector, and how they relate to public sector services. The Social Value in health programme aims to build the third sector market in health and social care so they are in a better commissioning place under an integrated health and social care regime.		future – particularly under devolution.			
Oldham Citizens Advice Bureau (CAB)	CAB provides a vital advice and support service to the borough. The impact of cuts across the public sector is likely to have an impact on the demand for CAB services. In addition CAB do receive grant funding from Oldham Council	Early Help	A reduction in CAB activity could mean residents don't have advice and support on a wide range of issues.	Medium		Failure to engage could have reputational impact

Economy & Skills

Stakeholder Economy & Skills	What potential impact might the Council have on them?	Key Joint Programmes	What potential impact might they have on the Council?	Level of potential influence over the Council	Level of interest in the Council's activity	Risks if they are not engaged
Education providers:	The change to Further Education under devolution is likely to impact on	Oldham Co-operative	The changes to FE provision under devolution and the	Medium/ High	High (but more	Failure to engage

Oldham Primary Heads, Oldham Secondary Heads, Oldham College & Oldham Sixth Form College	the adult skills budget and provision in Oldham. The Area Review might also impact on college provision. The Oldham Education and Skills Commission (OESC) will have a big impact on school education in Oldham with clear recommendations on developing an independent system, the role of the Oldham teacher and much more. The Council commissions and provides a range of services that dovetail with those provided by formal education providers. For example, Lifelong Learning, the Wellbeing Service, Connexions service. Changes to these services may result in a need to reconfigure the links between the services and the education providers.	Learning Partnership Oldham Education Commission Education & Skills Cluster GM Local Area Review	potential impact of the Area Review at GM could have a big impact on post 16 education provision and adult learning in Oldham – which in turn could have an impact on adult skills. Skill levels are recognised as being poor in Oldham and require improvement as they are key to economic success. The willingness of education providers to work with the Council to implement the OESC recommendations will be critical to driving attainment in the borough		about GM activity)	could disjoint education and skills from wider work areas.
Job Centre Plus (JCP)	One of the Council's key priorities is to support people into employment through Get Oldham Working. The relationship with Job Centre Plus is crucial in the success of this endeavour. In addition, JCP are likely to be direct beneficiaries of the success of the Get Oldham Working	Get Oldham Working	There is a strong synergy between the work of Job Centre Plus and the Council around its Get Oldham Working and other employment initiatives. By working with the Council, joint objectives around improving the employability of Oldham	Medium		Failure to work jointly may result in resources being used ineffectively.

	programme.		residents can be delivered			
Oldham Business Leaders Group	The group of business leaders is key in enabling business start-ups and enterprise and may benefit from any business start-up/youth enterprise funding.	Youth Enterprise GM Local Enterprise Partnership (LEP) Education & Skills Cluster	Potential impact in terms of influence and engagement with business and securing investment	Low to Medium	Low to Medium	Failure to work jointly has reputational impact
Department of Work and Pensions (DWP)	The DWP is a key potential beneficiary if Oldham's focus on supporting people into employment is successful - we will reduce the numbers of people on benefits considerably if we meet our targets. Conversely, if the project is unsuccessful due to the need to make cuts in preventative services, DWP may experience increased costs from higher numbers of unemployed people. This is reflected in GM analysis showing that total public spend in GM has remained static 2008-present because DWP spend has increased as spend in proactive services has reduced. Under devolution, Local Authorities will be able to influence the commissioning of the work programme from 2016 which could	Get Oldham Working Education & Skills Cluster	There is the potential for DWP to choose to invest jointly with the Council in supporting Get Oldham Working, recognising the financial benefits of doing this. This could build on the Work Programme Leavers-type financial arrangements being trialed with GM. There is an opportunity for DWP and the Council (and AGMA) to work more closely with work programme commissioning under the devolution deal.	Medium	Medium	It is important to engage over the work programme. Council spending reductions are likely to have significant impact on residents and the demand placed on the system if we fail to engage effectively on a joint approach to

	mean greater influence for the Council over DWP commissioning.					funding programmes to support people into work.

Commercial and Wider

Stakeholder Economy & Skills	What potential impact might the Council have on them?	Key Joint Programmes	What potential impact might they have on the Council?	Level of potential influence over the Council	Level of interest in the Council's activity	Risks if they are not engaged
Department of Communities and Local Government (DCLG)	The Council received funding and policy direction from DCLG. Softer implications relate to how willing they are to support the Council (via GM) in negotiations with other Government departments, especially DWP.	DCLG Transformation Fund	Ability to influence the funding settlement for Local Government politically and influence of Oldham at the Local Government Association (LGA).	Medium	Low	Engagement is useful in terms of drawing down funding and resource
The Association of Greater Manchester Authorities (AGMA)/GMCA	Under the devolution deal, the Council will play an even bigger role within AGMA and the GM structures which will impact on the capacity for staff and members – particularly at a senior level. Currently we lead in areas such as New Society, Mental Health and Transport and this is likely to increase as we move towards more devolved powers. Oldham has a positive role to	GM Devolution deals Emerging policy – New Society, Place Leadership Vanguards – in health and PSR Lead programmes	There is high potential for more shared services between AGMA councils as well as more shared policy and direction coming from AGMA through to Councils over the next 5 years.	High	High	Failure to play positive role within AGMA may result in loss of resources and influence.

	play in influencing the direction of Greater Manchester especially in areas such as reform and a new relationship between citizen and state. It is important that, economically, Oldham gets a fair deal and that economic policies are based on need and not overall GM targets.	GM funding streams GM LEP				
Unity (Strategic Service Delivery Partner)	Funded by Oldham Council	Range of commissioned services	In providing operational and strategic support on key services. This partnership can provide support, advice and guidance to the Council on the delivery of efficiencies and reducing costs.	High	High	Failure to work jointly may result in resources being used ineffectively and budget reduction proposals not being achieved.

2.2 Non-Financial Influences on the MTFS

The Council has a range of strategies, policies and work programmes that directly influence the day to day operations of the Council and indirectly the financial position. Some of the key elements that have an influence on the MFTS are set out in the following paragraphs.

2.2.1 Corporate Plan and Oldham Plan

The new Corporate Plan was approved by Full Council in May 2015. Clearly the Plan can only be achieved by linking to the objectives to the resources available to the Council. This is much easier to align over a shorter timeframe where financial forecasts can be prepared with more certainty. The overarching ambition is to deliver a co-operative future, where everyone does their bit to create a confident and ambitious borough. This is underpinned by three corporate objectives and the review process approved the addition of a number of corporate outcomes under each objective which help in further articulating our ambition for Oldham. They are as follows:

A productive place where business and enterprise thrive

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

A co-operative council delivering good 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.

A refreshed Oldham Plan was also endorsed by Full Council in May 2015 which aligns the plans of the Council to other key organisations. It moves beyond individual organisations and institutions to create a shared vision for the borough and Oldham residents with the aim of making Oldham 'a place of ambition where people and communities flourish.

The Plan builds on the positive role that Oldham plays in Greater Manchester and the City Region which will become more important as we move down the path to greater devolution in the coming years.

The Plan's Vision is '*to be a place of ambition where people and communities flourish'.* This is underpinned by three priority outcomes which are aligned with the Partnership's three commissioning clusters:

- Investment, skills and good quality jobs (led by the Economy and Skills Cluster)
- Resilient and co-operative people and communities who flourish and cope well with change (led by the Co-operatives and Neighbourhoods Cluster)
- Healthy, happy and confident people and communities (led by the Health and Wellbeing Cluster)

2.2.2 Co-operative Borough

Oldham is committed to developing a co-operative future; one where citizens, partners and staff work together to improve the borough and create a confident and ambitious borough. The Corporate Plan outlines the next steps to build on our achievements to date and open up more opportunities. Key initiatives to take forward the ambitions of the Co-operative borough include:-

- Development of a performance management methodology to allow us to measure the co-operative difference that different initiatives and projects make to place, people and public services
- Development of new co-operative campaigns in partnership with organisations across the borough.

- Development of investable propositions to tackle shared priorities, deliver differently and move towards joint commissioning.
- Development and delivery the Generation Oldham community energy initiative ensure all links are made with AGMA and national policy development.
- Supporting the identification, scoping, development and delivery of co-operative change initiatives to address need/reduce demand e.g. social prescribing and community shop.

2.2.3 Oldham Education and Skills Commission

In 2014 Oldham launched an Education and Skills Commission to help raise local standards and aspirations so that every child can achieve their full potential. This has made recommendations on:

- Transforming outcomes through the development of a new school-led education system for Oldham including a strengthened Oldham teacher and Oldham curriculum
- Alignment of the education system with the economy including the development of adult skills and strengthening careers advice and guidance
- Levering in the Co-operative difference by strengthening school governors, early years and school readiness and parental contribution.

The recommendations will be implemented in 2016 alongside a strengthened Economy and Skills Strategy.

2.2.4 Oldham Economy and Skills Strategy

The Council is currently developing an Economy and Skills strategy to be implemented from 2016 onwards. This will be based upon the evidence in the Local Economic Strategy and include clear goals on:

- Increasing investment and business start-up and survival
- Strengthening local partnerships between business, education and the community to better equip people to succeed in work (building on the Education and Skills Commission recommendations)
- Contributing to Oldham becoming a productive place with healthy, aspirational and sustainable communities

2.2.5 People Strategy

The Council's overarching People Strategy is regularly reviewed and developed around four themes that focus on organisation design, building organisational capability, working towards being an employer of choice and our people infrastructure (people, policies and processes) all of which are aligned to the co-operative ambition and underpinned by the co-operatives values and behaviours.

2.2.6 Capital Strategy

The Capital Strategy provides a framework within which the Council's Capital Investment plans will be delivered. These plans are driven by the Council's Corporate

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

2.2.7 Treasury Management Strategy

Treasury management is defined as “The management of the local authority’s investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks. ”

The Strategy for 2016/17 reflects capital expenditure plans and highlights the Councils position in relation to prudential indicators arising from the capital strategy and also sets out the Minimum Revenue Provision (MRP) Policy Statement. It also highlights the:

- Current Treasury Position
- Treasury Indicators for the three years 2016/17 to 2018/19
- Prospects for Interest Rates
- Borrowing Requirement
- Borrowing Strategy
- Policy on Borrowing in Advance of Need
- Debt Rescheduling Position
- Investment Strategy
- Creditworthiness Policy
- Policy on use of external service providers

The strategy therefore determines how the Council makes the most efficient use of its cash resources by the careful management of borrowing and investments.

2.2.8 Medium Term Property Strategy (MTPS)

The evolving MTPS (formerly the Asset Management Plan) sets out a framework for strategic management of the Council’s land and property portfolio, reflecting corporate priorities, aims and objectives and driving transformational change in service delivery. Aligned to individual service priorities, individual schemes are included within approved capital spending plans or are to be considered for a resource allocation over the period of the capital strategy.

The Council is currently reviewing the structure of the corporate property function and anticipates making further changes which will improve the way in which the strategic property objectives can be delivered. This will enable the Council to accelerate progress and realise benefits within a shorter timeframe, whilst maximising regeneration and inward investment opportunities.

2.2.9 Procurement

The Council's Procurement policy focuses on procurement activity which has the optimum balance of cost, quality and local social value. Whilst ensuring that significant commercial risks are identified and mitigated at the commissioning stage of the procurement activity.

Value for money reviews are conducted and social value outputs are measured to support the Council's co-operative ambitions. This goes beyond the conventional assumptions of value for money by considering how we secure the greatest social, economic and environmental benefit from the Council's purchasing power.

2.2.10 Housing Strategy

In March 2015 the Council approved the Oldham Housing Strategy for 2015/16 to 2017/18.

The Strategy sets out current challenges, Oldham's vision for Housing and how it will work within Greater Manchester to deliver on its four key themes:

- Residential Growth
- Healthy Homes
- Improving Neighbourhoods
- Building Stronger Communities

The strategy provides a framework to support other housing themed delivery plans relating to issues such as homelessness, residential development, private sector housing and affordable warmth. It also links in to other key council initiatives such as 'Invest in Oldham' and 'Get Oldham Working'.

2.2.11 Public Service Reform

Greater Manchester has been a significant national driver behind work on Public Service Reform. This has involved looking both at new delivery models, and at new funding and evaluation models. This has notably contributed to significant developments in relations between GM and national Government, such as the GM Devolution agreement.

Within this Greater Manchester context, Oldham's approach to Public Service Reform (PSR) is focused on developing a model of services that are centered around a "place" and applying the cooperative values and principles to improve residents' self-reliance and resilience and reduce their need for public services.

To date, much of this has focused on work with troubled families and households with complex dependencies. Following a number of pilots (including the Family Focus Teams and Project Solution, a joint project with Greater Manchester Police to reduce demand on the police), the Council has used the learning to develop an Early Help Offer, designed to intervene at the earliest possible point across a range of complex dependencies; understand the root cause of problems; and provide support to individuals and families to give them the skills to address these problems.

The Early Help Offer went live on 1 April 2015 and will reach around 3,500 households per year on a 1:1 basis and around another 4,000 through group-work and one-off appointments. It establishes a new delivery model for people with complex dependencies that reflects a person and family-centered approach that provides interventions at the earliest possible opportunity. The approach builds on positive aspects and looks to strengthen resilience rather than solely focusing on needs and problems. The approach recognises the complexities and vulnerability of individuals and families which do not fit neatly into single service offers around issues relating to mental health, drugs and alcohol, housing or parenting. It is early days for the Early Help Offer, but the signs are very positive in terms of the improvements in outcomes that families supported through the Offer are experiencing.

In parallel with implementing the Early Help Offer, the Council is also now exploring opportunities for applying the learning gained from this work and other projects such as Get Oldham Growing and Get Oldham Working to additional areas of activity, to further embed the ambition of a place-based approach to reform. Ultimately, the ambition is to build resilient communities across Oldham, and this is currently in the process of being embedded into Oldham’s Locality Plan as part of the GM Devolution work.

2.2.12 Strategic Financial Management

As part of the Finance Transformation Programme, which aims to deliver a high class financial service that will greatly assist in the robustness of the MTFS, the Finance Service has brought about well documented improvements in a number of areas. These include amongst others, planning for a two year budget cycle, early closure of the Council’s accounts, reduction in debtors, undertaking all Fundamental Financial Systems (FFS) audits to support the work of the External Auditor, working with managers on risks identified, greatly improved staff development and training and developing project management skills for all key staff.

A key proposed development is Self Service Transformation (SST) Programme which aims to improve systems and the way we work with a particular focus on Finance and People Services and embedding self-service in front line services. The Programme will see the upgrade of the Finance Agresso system and the People Services HR & Payroll system moving from the Vision system to an integrated Agresso system. This will result in a more efficient and intuitive system facilitating the take up of self service in line with the Council’s efficiency agenda. The Programme will also address wider business transformation issues, looking at improvements to policies and procedures, management information and helping to create greater front line ownership of finance and personnel procedures. The programme will also ensure lean processes throughout.

3 THE COUNCIL'S BUDGET CHALLENGE

Oldham is well positioned to be able to adapt and adjust to meet some of the new challenges. Many improvements have been made by the Council and this has led to a number of positive outcomes and achievements. This was been recognised through the award of the 'Most Improved Council' in March 2012. The changes that have been made have provided a firm base from which to reposition the Council. This means developing different ways of working and preparing for how the Council will deliver services in future, for example, moving from being a provider of services to an enabler of service provision.

3.1 2015/16 Updated Position

The 2015/16 budget was approved by Council at 25 February 2015 Council meeting where it agreed a net revenue budget of £195.800m. Since the 2015/16 budget report was presented to Council, there have been a number of further funding allocations and amendments. The budget for 2015/16 has therefore increased to £207.412m and this is therefore the revised base budget for 2016/17.

Table 4 2015/16 Updated Position

	2015/16 £m	2015/16 £m
Net Revenue Budget as at 25 February 2015		**195.800**
Adjusted for use of reserves		0.195
Adjusted Net Revenue Budget		**195.995**
New One-Off Grant Funding Received		
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
Total Revised Net Revenue Budget		**207.412**

3.2 2016/17 Forecast Revenue Position

The 2016/17 budget that was initially presented to Council required estimated budget reductions of £29.489m to achieve a balanced position. This was adjusted in October 2015 with a proposed net revenue budget of £182.583m requiring expected budget reductions of £18.194m (£17.999m after the use of reserves). A range of options for budget reductions were prepared to bridge this gap. The 4 November and 16 December Council meetings approved budget reductions collectively totaling £10.967m and some proposals were noted as consultation processes had not concluded.

A S188 notice was issued on 16 November outlining a final tranche of budget reduction proposals totaling £2.560m. This, together with other deferred items meant that there was a total of £5.077m of budget reduction proposals available for approval. This was £1.955m short of the required level of budget reductions but the strategy agreed was that no proposals were to be prepared to address the remaining gap pending the receipt of the Provisional Local Government Finance Settlement (PLGFS).

Following the receipt of the Provisional Settlement and subsequent confirmation in the Final Settlement, related Government grant funding notifications, the calculation of the Council Tax Base, Business Rates Tax Base, Collection Fund surplus and the review of business rates grants, together with the determination of Council Tax policy, the net revenue funding baseline for 2016/17 has changed from £182.583m by £7.740m to £190,323m. The table below details the movements in funding:

Table 5 Changes to Funding arising from the LGFS

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
Total Change – Government Grants and SFA	105.663	111.294	5.631
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
TOTAL CHANGE TO COUNCIL RESOURCES	**182.344**	**190.078**	**7.734**
Parish Precept – Ringfenced to Parishes	0.239	0.245	0.006
TOTAL CHANGE TO FUNDING	**182.583**	**190.323**	**7.740**

Offsetting some of this additional resource, were additional pressures totaling £2.139m, the most significant of which was the increase in the projection of the cost of the National Minimum Wage in relation to the provision of adult social care

Table 6 Additional Cost Pressures

Additional Cost Pressures	Expected Position £m	Revised position £m	Change £m
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
TOTAL CHANGE TO COST PRESSURES	**1.756**	**3.895**	**2.139**

In total, this resulted in a rise of net resources equaling £5.601m. After accounting for a net £0.508m adjustment to the base budget in relation to funding still under consultation, this left £5.093m available to address budget pressures and meant in the first instance, that there was no need to address the £1.955m remaining budget reduction requirement. The table below shows how the remaining £3.138m was deployed in addressing on-going and emerging budget resilience issues.

Table 7 Budget Issues Addressed Post LGFS

Budget issues to be addressed	2016/17 £m	2016/17 £m
- Removal of previously stated budget reduction requirement		1.955
Budget Resilience Issues:		
- 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	0.181	
Total Budget Resilience Issues		**3.138**
Value of Budget Issues Addressed		**5.093**

Taking into account Budget Reduction Proposals of £16.044m shown below, this has therefore resulted in an overall balanced position for 2016/17 which is detailed at Table 10 of this report.

Table 8 2016/17 Budget Reduction Proposals

Budget Reductions	£m	£m
Budget Reduction Proposals yet to be Approved		
- Tranche 1	1.193	
- Tranche 2	1.244	
- Tranche 3	2.640	
Total for Approval		**5.077**
Budget Reductions Approved November 4 Council		5.974
Budget Reductions Approved December 16 Council		4.993
Overall Budget Reduction Position		**16.044**
Represented by:		
- Budget Reduction Proposals reducing expenditure		15.714
- Budget Reduction Proposals using reserves		0.330
Budget Reduction Position		**16.044**

3.3 2017/18 to 2020/21 Forecast Revenue Position

In order to provide a financial projection covering the five year period of the MTFS, in addition to the projections for 2016/17 highlighted above, estimates have been prepared for the four years 2017/18 to 2020/21.

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 £29.302m. This then reduced to £25.200m and has now reduced to £20.464m primarily due to changes in assumptions used to calculate the MTFS. The £4.736m reduction is explained in the table below comprising an overall increase in expenditure pressures of £10.858m, an increase in funding of £15.344m and £0.250m additional use of reserves (Budget Reduction Proposal D018 – Income from Deed of Variation).

Table 9 Changes to 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 Minimum 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
Total Budget Resilience Increase	**185.917**	**196.775**	**10.858**
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
Total Increase in Funding	**168.753**	**184.097**	**15.344**
Additional use of Reserves	**0.000**	**0.250**	**0.250**
Overall Change			**4.736**

Whilst the Government has provided indicative Settlement figures covering four financial years, 2016/17 to 2019/20, there is only certainty of funding in relation to 2016/17. If the Council wishes to take up the Government's offer of a four year Settlement an efficiency plan will need to be developed. Efficiency Plan guidance is awaited.

The level of uncertainty and estimation increases the further into the future that projections are made. The 2017/18 net revenue budget is estimated using calculations based on the key assumptions in section 1.4. A net revenue budget of £184.097m is projected with budget reductions required of £20.464m. The budget is expected to reduce to £184.516m by 2020/21 with cumulative budget reductions required from 2017/18 to 2020/21 of £63.584m

The table below details the assumed financial position for the Council for 2016/17 to 2020/21. The MTFS estimates will be revised and updated on a regular basis during 2016/17 as dictated by future events including the expected transfer of new responsibilities.

Table 10 Estimated Budget and Funding Position 2016/17 to 2020/21

Estimated revenue position 2016/17 to 2020/21	2016/17 £m	2017/18 £m	2018/19 £m	2019/20 £m	2020/21 £m
Prior Year Net Revenue Budget	**207.412**	**190.323**	**184.097**	**184.367**	**185.167**
In Year Adjustment to Base Budget	(11.417)	0.000	0.000	0.000	0.000
Adjustment to Base Budget - One off reserves	0.000	0.250	0.250	0.250	0.250
Adjustment to Base Budget - Capital financing	(4.804)	0.000	0.000	0.000	0.000
Adjustment to Base Budget - New Burdens ILF Grant	2.013	0.000	0.000	0.000	0.000
Adjustment to Base Budget - SEND Reform Grant	0.000	(0.181)	0.000	0.000	0.000
Adjustment to Base Budget - Subject to Consultation	0.508	0.144	0.168	0.108	0.080
Revised Base Position	**193.712**	**190.536**	**184.515**	**184.725**	**185.497**
Expenditure Pressures					
- Pensions	0.263	1.474	2.000	2.000	2.000
- Pay Award	0.950	1.000	1.020	1.040	1.061
- Inflation	1.110	1.880	1.917	1.956	1.995
- Investment Fund	0.000	1.682	2.296	2.000	1.000
- Business Plan	1.005	0.750	1.750	2.000	2.100
- Levies	0.000	1.732	1.381	0.490	0.526
- Increase in National Insurance	2.100	0.000	0.000	0.000	0.000
- End of Change to Terms and Conditions	0.000	2.000	0.000	0.000	0.000
- Adults Social Care - Impact of National Living Wage	2.700	2.445	2.467	2.245	2.255
- Other Social Care Pressures - Care Act 2014	0.000	0.716	3.971	3.463	0.000
- Demand Pressures OCS Pensions	0.200	0.000	0.000	0.000	0.000
- Achievement of Earlier Years Savings Proposal	0.196	0.000	0.000	0.000	0.000
- Additional ILF Expenditure	0.987	0.000	0.000	0.000	0.000
- Revised Parish Precept	0.006	0.000	0.000	0.000	0.000
Budget Resilience Issues					
- Social Worker Retention	0.091	0.091	0.000	0.000	0.000
- Social Care Redesign	0.380	0.005	0.000	0.000	0.000
- Children's Social Care Commissioning	0.200	0.000	0.000	0.000	0.000
- Car Parking Income	0.243	0.000	0.000	0.000	0.000
- Market Rental Income	0.350	0.000	0.000	0.000	0.000
- Coroners Service	0.100	0.100	0.000	0.000	0.000
- Early Years Commissioning	0.183	0.000	0.000	0.000	0.000
- School Places and Planning	0.150	0.000	0.000	0.000	0.000
- Deprivation of Liberty Safeguarding	0.375	0.000	0.000	0.000	0.000
- Early Help	0.375	0.000	0.000	0.000	0.000
- SEND Reform	0.181	0.000	0.000	0.000	0.000
- Public Health Grant Reduction	0.510	0.000	0.000	0.000	0.000
- Apprentice Levy	0.000	0.400	0.000	0.000	0.000
Total Budget Pressures/Resilience Issues	**12.655**	**14.275**	**16.802**	**15.194**	**10.937**
Less Budget Reduction Proposals	**(15.714)**	**0.000**	**0.000**	**0.000**	**0.000**
Total Expenditure	**190.653**	**204.811**	**201.317**	**199.919**	**196.434**

Estimated revenue position 2016/17 to 2020/21	2016/17 £m	2017/18 £m	2018/19 £m	2019/20 £m	2020/21 £m
Funded By:					
- Business Rates Top Up	30.237	30.832	31.741	32.756	33.750
- Revenue Support Grant	40.543	30.428	23.600	16.701	11.691
- ILF Grant	2.841	2.748	2.661	2.580	2.500
- Housing Benefit Administration Grant	1.056	0.785	0.392	0.098	0.000
- Council Tax Administration Grant	0.330	0.297	0.267	0.241	0.217
- Education Services Grant	2.505	2.334	1.700	1.576	1.182
- New Homes Bonus	2.767	2.700	2.400	2.400	2.400
- SEND Reform Grant	0.181	0.000	0.000	0.000	0.000
- Improved Better Care Fund Grant	0.000	0.716	4.687	8.150	8.150
- Small Business Rates Relief	1.508	0.000	0.000	0.000	0.000
- Multiplier Cap Grant	0.966	0.966	0.966	0.966	0.966
Total Government Grant Funding	**82.934**	**71.806**	**68.414**	**65.468**	**60.856**
- Retained Business Rates	28.360	29.868	29.868	29.868	30.000
- Council Tax Income	77.073	79.107	81.191	83.327	85.515
- Adult Social Care Precept	1.515	3.071	4.649	6.259	7.900
- Parish Precepts	0.245	0.245	0.245	0.245	0.245
- Collection Fund Surplus	0.196	0.000	0.000	0.000	0.000
Revised Budget Funding	**190.323**	**184.097**	**184.367**	**185.167**	**184.516**
Net Gap/Budget Reduction Requirement	**0.330**	**20.714**	**16.950**	**14.752**	**11.918**
Approved Use of Reserves	**(0.330)**	**(0.250)**	**(0.250)**	**(0.250)**	**0.000**
Net Gap/Budget Reduction Requirement (After Use of Reserves)	**(0.000)**	**20.464**	**16.700**	**14.502**	**11.918**
2017/18 Impact of 2016/17 Budget Reductions	0.000	(0.229)	0.000	0.000	0.000
Gap Remaining	**(0.000)**	**20.235**	**16.700**	**14.502**	**11.918**

In meeting the budget challenge for 2017/18 and future years, the approach and core principles that have been developed will be used as a framework. These are:

- Focussing on our purpose, delivering social value and maximum impact within the financial resources available
- Challenging all areas of the Council
- Working with partners as a Co-operative Borough – with shared aspirations for people and places
- Exploring different delivery and funding models
- Taking a 5 year view on investment and prevention

The Council has already begun the preliminary stages of its next two year budget process for 2017/18 and 2018/19. Clearly the environment going forward will be challenging and ever changing primarily due to the GM devolution agenda. As in previous years the budget process will use 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.

The budget will be reviewed by Directorate area with proposals put forward for consideration. The Directorate areas are as follows:

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

Work streams will challenge the current delivery models and identify the future service provision that is available within the financial resources. The work streams will also to analyse and review the value of commissioned and procured services, in order to maximise value of the contract and develop a system of penalties for non-delivery. Future service delivery models and proposals identified by the work streams will be subject to a series of challenge sessions to ensure their fit with corporate priorities and the future vision for the Council. Cross cutting budget proposals will be prepared where possible.

3.4 Forecast Capital Programme and Financing

The Council has prepared a capital strategy for 2016/17 to 2020/2021 and thereby the proposed 2016/17 capital programme including identified capital investment priorities. This, together with the indicative programme for 2017/21, sets capital planning over a five year timeframe, having regard to the resources available to support expected expenditure.

The proposed Capital Strategy and Programme for 2016/17 to 2020/21 take the essential elements of the previous years strategies and programmes and moves them forward in the context of the financial and political environment for 2016/17. This includes the major regeneration developments within the Town Centre as well as borough-wide and other subsequent priority investment decisions.

The general downward trend in capital grant funding has been stemmed in recent years with the introduction of a number of new funding opportunities, some of which carry through to 2016/17 and beyond. The main source of confirmed grant income remains education related with the receipt of Formulaic Basic Need funding totaling £20.909m for the period 2016/17 to 2017/18 and also the confirmation of indicative awards of School Condition Allocation grant for the same period. The Council will also receive a grant allocation under the second phase of the Priority Schools Build Programme for Royton and Crompton school, the scope and final amount is expected to be confirmed during 2016. In addition highways maintenance funding of £2.248m has been confirmed for 2016/17. Further grant notifications for 2016/17 are still awaited.

The table below sets out the current proposed capital programme for 2016/17 to 2020/21. The revenue impact of the prudential borrowing elements financing the capital programme has been fully budgeted for in the MTFS and is included in the baseline revenue budget. Planned over-programming in 2016/17 is compensated for in 2017/18.

Table 11 Proposed Capital Programme 2016/17 to 2020/21

Proposed Capital Spending	**2016/17 £k**	**2017/18 £k**	**2018/19 £k**	**2019/20 £k**	**2020/21 £k**
Co-operatives and Neighbourhoods	11,888	3,536	2,473	2,173	2,173
Health and Wellbeing	2,655	400	400	400	400
Corporate and Commercial Services	1,055	249	249	249	249
Economy and Skills	59,431	73,824	4,022	1,285	500
Housing Revenue Account	114	0	0	0	0
Funds Yet to be Allocated	5,402	0	0	0	0
Total Expenditure	**80,545**	**78,009**	**7,144**	**4,107**	**3,322**
Total Funding	**(79,321)**	**(79,233)**	**(7,144)**	**(4,107)**	**(3,322)**
Balance of Resources available by year – over/(under) programming	1,224	(1,224)	0	0	0
Cumulative Balance of Resources – over/(under) programming	1,224	0	0	0	0

3.5 Treasury Management

The Treasury Management Strategy is a key element of the financial management framework underpinning the MTFS.

Statutory Requirements

The Local Government Act 2003 and supporting regulations requires the Council to ‘have regard to’ the Prudential Code and to set Prudential Indicators for the next three years to ensure that the Council’s capital investment plans are affordable, prudent and sustainable’. The Act therefore requires the Council to set out its Treasury Strategy for borrowing and to prepare an Annual Investment Strategy. This sets out the Council’s policies for managing its investments and for giving priority to the security and liquidity of those investments.

CIPFA Requirements
The Council has adopted the Revised CIPFA Code of Practice on Treasury Management 2011. The primary requirements of the code are as follows:

- Creation and maintenance of a Treasury Management Policy Statement which sets out the policies and objectives of the Council's Treasury Management activities
- Creation and maintenance of Treasury Management Practices which set out the manner in which the Council will seek to achieve those policies and objectives
- Receipt by the full Council of an annual Treasury Management Strategy Statement - including the Annual Investment Strategy and Minimum Revenue Provision Policy - for the year ahead, a Mid-year Review Report and an Annual Report (stewardship report) covering activities during the previous year
- Delegation by the Council of responsibilities for implementing and monitoring Treasury Management Policies and Practices and for the execution and administration of treasury management decisions. In Oldham, this responsibility is delegated to the Director of Finance
- Delegation by the Council of the role of scrutiny of treasury management strategy and policies to a specific named body. In Oldham, the delegated body is Audit Committee.

As with the Capital Strategy and Programme the revenue implications of the Treasury Management Strategy have been fully budgeted for in the MTFS and are included in the baseline revenue budget.

4 REPORTING FRAMEWORK

At present, the Medium Term Financial Strategy is approved by Full Council on an annual basis. As the world in which we operate is becoming more volatile and more risk is being transferred to the Council, it is proposed that a more frequent refresh of the projections is completed during 2016/17. It is also envisaged that any minor amendments will be reported within the Revenue Monitoring Report presented to Cabinet on a quarterly basis. These amendments are likely to revolve around cross-portfolio transfers of budgets. The refresh will review all the major elements of the strategy including the national and local policy context, and the financial assumptions as well bringing in any Central Government announcements and legislation changes which have a financial impact. It will also allow the strategy to be amended for any emerging local issues or priorities.

5 FINANCIAL RESILIENCE

In order to monitor the present and future financial risks for the Council, a Finance Risk Register is prepared and updated on a regular basis. This highlights that in future financial years the on-going challenge to the Council in delivering a balanced budget is getting more difficult as the amount of year on year central government funding to support on-going expenditure reduces.

In order to support the production of the annual budget the Council has adopted a system of assessing the annual level of general balances on the basis of risk that it requires at the beginning of the financial year. This is a key process in ensuring that the Council both has a contingency to meet unforeseen or unplanned costs including the non-delivery of efficiency related budget reductions and the Council is financially resilient. This MTFS assumes that the Council delivers its budget reduction targets. Failure to do this in any one financial year will result in the required budget reductions for a future year increasing as the Council must demonstrate that it is financially resilient each financial year.

The closure of the accounts is a key process whereby the Council manages its risks to minimise future unplanned expenditure by considering whether any of these risks have a certain financial liability or a potential future financial impact. An early closure of the accounts enables the Council to obtain its financial out-turn promptly which determines whether any problems have to be addressed in the new financial year. At the point when the accounts are closed there is a requirement on the Council to set aside appropriate resources to meet known financial liabilities.

In order to demonstrate that the Council can continue to operate on an on-going basis it needs to demonstrate that it is financially resilient at a point in time. Essentially this means ensuring it can continue to fund its day to day business by:

- Delivering a balanced budget year on year and tackling areas of overspend to ensure the problem is managed in year and in the long term.
- Maintaining a level of appropriate general balances assessed on the basis of financial risk and earmarked reserves to meet known commitments.
- Closing its accounts in a prompt manner to determine its out-turn and give the Council more time to address any overspends in the new financial year.
- Undertaking financial decisions in accordance with Councils processes to ensure that risk is highlighted in advance of the decision being taken and the impacts are clear to decision makers.
- Releasing reserves to support the budget in a controlled manner.

Should the Council find itself in a position where it is not financially resilient it will need to increase its budget reductions targets to build up funds to become financially sustainable. The general financial resilience of the Council is supported by the availability of reserves. The Council’s reserves are regularly reviewed and will be utilised to support the budget setting process as required.

The External Auditor commented on the financial resilience of the Council at the closure of the 2014/15 accounts. The main elements of these comments are included in the 2016/17 budget report.

6 CONCLUSION

After allowing for the use of grant funding in 2016/17, funding pressures and the impact of the Provisional Local Government Financial Settlement, it is considered that the Council is able to approve a balanced budget for 2016/17. The anticipated net budget gap for 2017/18 is £20.464m with £20.235m of budget reductions yet to be identified. The gap for 2018/19 is estimated to be a further £16.700m.

Whilst the Provisional Settlement announced on 17 December 2015 and confirmed by the Final Settlement on 8 February 2016 provided funding allocations covering four financial years, there is only certainty of funding for 2016/17. However, should the Council prepare an efficiency plan and submit this to the DCLG, then the Government has guaranteed funding notifications will be honoured for the period 2016/17 and 2019/20. The Council is awaiting the receipt of the guidance to enable it to prepare such a plan.

Spending estimates for future years will be amended in accordance with future events such as the implementation of the 100% Business Rates Retention regime and the transferring of additional responsibilities to Local Authorities.

Local Government funding going forward will be reformed and Oldham Council will have to respond to these reforms and the financial challenges it presents by being innovative and increasingly working in collaboration and partnership but also in alignment with its co-operative ethos.

Work on preparing the next two year budget, 2017/18 and 2018/19, has already begun, following good practice established in 2015/16 and earlier years. Making an early start will enable full consideration of key issues, pressures, resources and local and national policies outlined in the MTFS.