

## REVENUE BUDGET MONITORING REPORT 2017/18

### Quarter 3 - December 2017

#### 1 Background

- 1.1 The Authority's 2017/18 revenue budget was approved by Council on 1 March 2017. Under established budget procedures all services are required to monitor and review their approved budgets during the financial year. The approved budget for the year was £209.868m and included £9.498m of budget reductions and £6.525m use of reserves, including £0.789m to part finance the budget reductions.
- 1.2 As part of the budget monitoring process, a forecast of the year-end position has been prepared by all services. The forecast is based on a comparison of profiled budgets to the actual position as at the end of Quarter 3 together with known commitments, issues and planned management actions.

#### 2 Current Position

- 2.1 The table below details the year-end forecast position against budget for each Portfolio after the planned transfers to and from reserves and compares the resulting variance to the previously reported position. The current budget position of £219.088m represents an increase of £9.220m on the originally approved budget. This is principally due to the receipt of additional Government grants since the budget was approved, the most significant of which was £5.095m of Improved Better Care Fund to support spending on Adult Social Care priorities. Additional capital grant of £2.227m is also included within the budget increase, reflecting the reporting arrangements required when preparing the Statement of Accounts. The forecast outturn to the end of the year, after the use of reserves, is an under spend of £0.146m.
- 2.2 A detailed list of the approved and planned use of reserves between Month 8 and Quarter 3 can be found at Appendix 1. The funding of the total net revenue expenditure is shown at Appendix 2.

**Table 1 - Summary Forecast Revenue Outturn**

Portfolio	Budget £000	Forecast £000	Variance Month 8 £000	Variance Quarter 3 £000	Variance Quarter 3 %
Chief Executive	2,403	2,402	-	(1)	(0.04)
Corporate and Commercial Services	5,041	4,772	(216)	(269)	(5.34)
Economy, Skills and Neighbourhoods	94,478	95,133	553	655	0.69
Health and Wellbeing	115,549	119,431	3,468	3,882	3.36
Capital, Treasury and Corporate Accounting	1,617	(2,796)	(3,955)	(4,413)	(272.91)
<b>NET EXPENDITURE</b>	<b>219,088</b>	<b>218,942</b>	<b>(150)</b>	<b>(146)</b>	<b>(0.06)</b>
<b>FINANCED BY:</b>	<b>(219,088)</b>	<b>(219,088)</b>	-	-	-
<b>NET FORECAST VARIANCE</b>	-	<b>(146)</b>	<b>(150)</b>	<b>(146)</b>	

- 2.3 Corporately, whilst there is a projected under spend at the end of the financial year, largely similar to the one reported at month 8, it is key to note the fluctuations contained within that net position.
- 2.4 The Economy, Skills and Neighbourhoods Portfolio has reported a pressure of £0.655m. This shows an adverse movement of £0.102m compared to the month 8 position. The pressure is principally due to an increase in the maintenance costs of Council buildings and the additional costs associated with the introduction of the Oldham Living Wage, particularly in relation to the Catering and Cleaning services. A further contributing factor is the high cost of Home to School transportation in the Education and Early Years directorate. The pressures are offset by the positive adjustment to the Councils Carbon Reduction Commitment (CRC) obligations reported at month 8.
- 2.5 There is a £3.882m projected over spend within the Health and Wellbeing Portfolio attributable in the main to Children's Social Care (£3.655m), an increase of £0.414m on the £3.468m reported at month 8. The main contributing factor is an adverse movement of £0.550m from the month 8 position within Children's Social Care. The principal reason for this over spend and the subsequent increase from month 8 is related to the increase in numbers of looked after children, the cost of commissioning services for children with disabilities and also the cost of adoption and fostering. In addition there is a reported overspend of £0.428m within Public Health; the inclusion of a provision for the settlement of the outstanding NHS related premises costs (£0.565m) reported at month 8 is netted down by an underspend of £0.137m within the Library Service.
- 2.6 The total forecast over spends within the Health and Wellbeing and Economy, Skills and Neighbourhoods Portfolios are being offset by a projected under spend of £4.413m within Capital, Treasury and Corporate Accounting, supplemented by a much smaller underspend of £0.269m within Corporate and Commercial Services. A more detailed analysis of financial performance and the major variances can be found by Portfolio in the following sections.

## 2.7 Portfolio Summaries

### Chief Executive

- 2.7.1 The table below shows the forecast position after the approved and planned use of reserves.

**Table 2 - Chief Executive - Forecast Outturn**

	<b>Revised Budget £000</b>	<b>Forecast £000</b>	<b>Variance £000</b>	<b>Variance %</b>
Chief Executive	2,403	2,402	(1)	(0.04)
<b>Total Forecast Net Expenditure</b>	<b>2,403</b>	<b>2,402</b>	<b>(1)</b>	<b>(0.04)</b>

### Summary

- 2.7.2 The forecast outturn at Quarter 3 is showing a broadly balanced budget, with no major issues to report.
- 2.7.3 The 2017/18 budget reductions for the Chief Executives portfolio of £0.511m are forecast to be fully achieved.

---

## Corporate and Commercial Services

2.7.4 The table below shows the forecast position after the approved and planned use of reserves.

**Table 3 – Corporate and Commercial Services - Forecast Outturn**

	<b>Revised Budget £000</b>	<b>Forecast £000</b>	<b>Variance £000</b>	<b>Variance %</b>
People	141	71	<b>(70)</b>	<b>(49.65)</b>
Finance	4,158	4,045	<b>(113)</b>	<b>(2.72)</b>
Legal Services	474	355	<b>(119)</b>	<b>(25.11)</b>
Commercial and Transformation Services	268	301	<b>33</b>	<b>12.31</b>
<b>Total Forecast Net Expenditure</b>	<b>5,041</b>	<b>4,772</b>	<b>(269)</b>	<b>(5.34)</b>

### Summary

2.7.5 The forecast outturn at Quarter 3 is an under spend of £0.269m.

### People

2.7.6 The Directorate has a projected under spend of £0.070m which relates to vacant posts within the service.

### Finance

2.7.7 The Directorate has a projected under spend of £0.113m which relates to vacant posts within the service.

### Legal Services

2.7.8 The Directorate has a projected under spend of £0.119m as a result of vacancies and under spends on non-pay budgets.

### Commercial and Transformational Services

2.7.9 The Directorate is showing a slight overspend of £0.033m due to additional costs for the temporary management arrangements.

2.7.10 The 2017/18 budget reductions for the Corporate and Commercial Services portfolio of £5.760m are forecast to be fully achieved.

## Economy, Skills and Neighbourhoods

2.7.11 The following table shows the forecast position after the approved and planned use of reserves.

**Table 4 – Economy, Skills and Neighbourhoods - Forecast Outturn**

	<b>Revised Budget £000</b>	<b>Forecast £000</b>	<b>Variance £000</b>	<b>Variance %</b>
Environmental Services	65,909	65,716	<b>(193)</b>	<b>(0.29)</b>
Economic Development	9,538	10,011	<b>473</b>	<b>4.96</b>
Enterprise and Skills	2,418	2,424	<b>6</b>	<b>0.25</b>
Education and Early Years	16,613	16,982	<b>369</b>	<b>2.22</b>
<b>Total Forecast Net Expenditure</b>	<b>94,478</b>	<b>95,133</b>	<b>655</b>	<b>0.69</b>

### Summary

2.7.12 The forecast outturn at Quarter 3 is an over spend of £0.655m, the main areas of which are explained in the following paragraphs.

#### Environmental Services

2.7.13 The Directorate has forecast an under spend of £0.193m. This shows a favourable movement of £0.025m from the month 8 position. The overall underspend is principally due to underspends within the Highways Operations, Fleet Operations, Streetscene and the Street Lighting service areas.

#### Economic Development

2.7.14 The Directorate has a projected over spend of £0.473m. The principal factors are detailed below.

- The Catering and Cleaning services have forecast an over spend of £0.453m. The cost of provision has increased due to staffing costs, mainly as a result of the implementation of the Oldham Living Wage which has increased by more than the corresponding increases in charges. The Catering service is planning to make efficiencies by improving processes with potentially the introduction of IT equipment to order and record the number of meals. There is a need to reduce costs and/ or increase the charging unit price per meal to ensure a balanced position in future years. A further Service Review is planned for 2018/19.
- The Corporate Landlord service has forecast an under spend of £0.276m, relating to the Carbon Reduction Commitment, as previously reported.
- The Investment Estate service has forecast an over spend of £0.146m relating to an increase in property maintenance costs. In addition the Regeneration service has forecast an over spend of £0.150m as the target for capitalising staff costs is unlikely to be met this financial year.
- Strategic Housing is currently projected to be in line with its budget, however, there are emerging pressures relating to the introduction of Universal Credit and other legislative changes, particularly impacting on the pressures associated with homelessness meaning that the position will need to be monitored closely with reserves having been identified to support these pressures if required.

---

## Education and Early Years

- 2.7.15 The Directorate has a projected over spend of £0.369m primarily due to the current costs of home to school transportation. The current routes will be re-procured for the 2018/19 academic year but the position will be kept under review in order to minimise any adverse variance. Additionally there will be a review of the Home to School transport policy.
- 2.7.16 The 2017/18 budget reductions for the Economy, Skills and Neighbourhoods portfolio of £1.175m are forecast to be fully achieved.

## Health and Wellbeing

- 2.7.17 The table below shows the forecast position after the approved and planned use of reserves.

**Table 5 – Health and Wellbeing - Forecast Outturn**

	<b>Revised Budget £000</b>	<b>Forecast £000</b>	<b>Variance £000</b>	<b>Variance %</b>
Children's Social Care	25,559	29,214	<b>3,655</b>	<b>14.3</b>
Adults Social Care	55,221	55,018	<b>(203)</b>	<b>(0.37)</b>
Public Health	30,627	31,055	<b>428</b>	<b>1.4</b>
Community Services	4,022	4,024	<b>2</b>	<b>0.05</b>
Health and Wellbeing Management	120	120	-	-
<b>Total Forecast Net Expenditure</b>	<b>115,549</b>	<b>119,431</b>	<b>3,882</b>	<b>3.36</b>

### Summary

- 2.7.18 The forecast outturn at Quarter 3 is an overspend of £3.882m. The main area of overspend for the Portfolio remains within the Children's Social Care Directorate which is reporting an increased pressure of £3.655m. There is a further overspend of £0.428m within Public Health relating to premises costs. The combined overspends are partly offset by a favourable variance of £0.203m in Adult Social Care.

### Children's Social Care

- 2.7.19 The overspend of £3.655m is an increase of £0.550m over the £3.105m that was reported at month 8.
- 2.7.20 Fieldwork & Family Support is reporting an overspend of £0.28m, representing a reduction of £0.206m compared to month 8. There are a number of areas reporting an increased overspend, the largest of which is legal fees (£0.107m), mainly as a result of additional specialist reports that are required over and above core legal fees. Other contributors are mobile and laptop charges (£0.048m), Assistance to Families and No Recourse to Public Funds (£0.029m), translation costs (£0.022m), with the remaining £0.009m spread across a number of cost centres. The over spend is netted down by a forecast reduction in staffing costs of £0.368m and staff transport costs of £0.053m.
- 2.7.21 Children in Care is reporting an over spend of £3.621m, an increase of £0.756m on the month 8 position of £2.865m. Demand and cost increases for the various types of

---

placements for Looked After Children have increased the forecast expenditure by £0.239m; Independent Fostering Agency (£0.064m) and Out of Borough (£0.244m), netted down by increased funding of £0.069m having been received to support Unaccompanied Asylum Seeking Children.

- 2.7.22 Also within Children in Care, the over spend within Adoption and Fostering has increased by £0.491m. The pool of adopters within the newly formed Regional Adoption Agency (RAA) remains low which has resulted in the Council incurring additional interagency fees. Furthermore the recruitment of adopters is lower than expected and this has also had a significant adverse impact on the income target for the sale of adopters. The closure and phased re-opening of the Fraser Street Children's Homes has reduced the forecast overspend on the residential and support accommodation units by £0.099m and finally the number of young people who have their rent and accommodation costs paid for by the Aftercare team has increased significantly and is the highest on record, increasing the overspend by £0.125m.
- 2.7.23 The Health and Wellbeing Financial Planning Recovery Group provided Portfolio Members with an update on the financial and operational position within Children's and Adults Social Care on 7 February including a review of the management actions that have been implemented to mitigate the projected over spending. As previously reported there will be an inevitable lead in time for any benefits to be realised and as a result there is a risk that costs and the level of overspend could increase further in the short term.

#### Adult Social Care

- 2.7.24 Adult Social Care is projecting a £0.203m favourable variance at Quarter 3; a decrease of £0.002m compared to the £0.205m reported at the end of month 8, reflecting minor refinements to forecasting in relation to salaries, the cost of community care and income and contributions. The improved financial position, compared to 2016/17 is the result of the combined effect of Central Government funding in the form of the Improved Better Care Fund and also the additional resources allocated by the Council.
- 2.7.25 In general, whilst community care continues to present a budgetary risk, mainly due to high cost complex cases, the resultant pressures are being mitigated by savings on salaries together with income generation and the recovery of direct payments.
- 2.7.26 The forecast continues to assume full utilisation of the Improved Better Care Fund of £5.095m as notified in the Spring budget. Current guidance would seem to confirm that there will be no claw-back of any unspent 2017/18 funding together with definite confirmation that the 2018/19 allocation will be received in full, any balance remaining will therefore be transferred to reserves at the end of the financial year for utilisation in the future.
- 2.7.27 No provision has been made for a recent HMRC judgement on sleep-in payments which, as previously reported has a potential impact on both Adults and Children's Social Care; there have been no further Government announcements since the launch of the Social Care Compliance Scheme (SCCS) on 1 November 2017.

---

## Public Health

- 2.7.28 Public Health is forecasting an over spend of £0.428m. As previously reported the inclusion of a provision for the premises costs of the Sexual Health Clinic and the Health Visiting and School Nursing services delivered an overspend of £0.565m at month 8, a forecast underspend of £0.137m within the Library Service accounts for the reduced overspend reported at Quarter 3.
- 2.7.29 The previously reported emerging pressure, estimated to be in the region £0.050m in relation to Oldham Community Leisure in the form of additional costs relating to changes in legislation for which the Council is contractually liable remains an issue.
- 2.7.30 The 2017/18 budget reductions for the Health and Wellbeing portfolio are £2.012m of which £1.737m (86%) are currently forecast to be achieved. The non-achievement of savings relates to Children's Social Care and is therefore contributing to the over spend in that area. Plans are underway to identify compensating savings but as described in 2.7.23 it is unlikely that these will come to fruition until the next financial year.

### Progress against Locality Plans

- 2.7.31 A key element of the Health and Social Care devolution agenda is the submission of a Locality Plan setting out the Council and CCG vision for the greatest and fastest possible improvement in the health and wellbeing of our residents by 2021. This improvement will be achieved by supporting people to be more in control of their lives by having a health and social care system that is geared towards wellbeing and the prevention of ill health; access to health services at home and in the community; and social care that works with health and voluntary services to support people to look after themselves and each other.
- 2.7.32 The financial performance against the latest version 2016/17 Locality Plan is highlighted below in Table 6;

**Table 6 – Locality Plan**

	<b>Revised Budget £000</b>	<b>Forecast £000</b>	<b>Variance £000</b>	<b>Variance %</b>
Public Health	17,337	17,765	428	2.47
Adult Social Care	51,209	51,006	(203)	(0.40)
Children and Families	23,858	26,963	3,105	13.01
<b>Total Forecast Net Expenditure</b>	<b>92,404</b>	<b>95,734</b>	<b>3,330</b>	<b>3.60</b>

- 2.7.33 Although the headings in the Locality Plan do not completely align with the Council's Health and Wellbeing Directorate the reasons for the variances against budget are consistent with those reported within sections 2.7.17 to 2.7.30 above.

### Capital, Treasury and Technical Accounting

- 2.7.34 The following table shows the forecast position after the approved and planned use of reserves.

---

**Table 7 – Capital, Treasury and Technical Accounting – Forecast Outturn**

	<b>Revised Budget £000</b>	<b>Forecast £000</b>	<b>Variance £000</b>	<b>Variance %</b>
Capital, Treasury and Corporate Accounting	(4,766)	(9,189)	(4,413)	92.40
<b>Total Forecast Net Expenditure</b>	<b>(4,766)</b>	<b>(9,189)</b>	<b>(4,413)</b>	<b>92.40</b>

- 2.7.35 The forecast outturn at Quarter 3 is an under spend of £4.413m. This budget includes the income and expenditure from the Council's investments and borrowings for both principal and interest payments.
- 2.7.36 The under spend reported is largely is due to the anticipated costs for borrowing and capital financing being lower than the prudent amount that was originally budgeted for.
- 2.7.37 In addition, the Council has received grant funding of £0.301m to compensate for payments it has made to ratepayers under the Business Rates Discretionary Revaluation Relief scheme.

### **Schools**

- 2.7.38 The year-end forecast position for the Dedicated Schools Grant (DSG) (a ring-fenced grant that supports the Schools budget and certain permitted Council Services) for 2017/18 is a deficit of £3.450m, a reduction of £22k from the position reported at month 8. The forecast assumes the use of the Greater Manchester Sustainable Engineering University Technical College to expand Oasis Academy, the DSG has been adjusted, the financial plans are currently being worked through and the expectation remains that the proposal will be revenue neutral. The Council will be developing a recovery plan to enable the DSG to move towards a balanced position over the medium term.

### **Housing Revenue Account (HRA)**

- 2.7.39 The original HRA forecast was a decrease in balances of £0.564m against the balance brought forward at the start of the year of £18.366m. This would have given an estimated balance at the end of the financial year of £17.802m. The revised forecast is for an in-year increase in balances of £1.019m. The revised forecast HRA balance to the end of the year is therefore £19.385m. The current position differs from the original forecast by £1.583m. This is a decrease of £0.202m on the position reported at month 8. The overall, significant favourable variance is attributable to the major capital projects to which the HRA is contributing now being scheduled to start in 2018/19 rather than 2017/18.

---

## Collection Fund

2.7.40 The table below shows the forecast outturn position for the Collection Fund.

**Table 8 Collection Fund Forecast Position**

<b>Collection Fund Balance</b>	<b>Council Tax</b>	<b>NDR</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
Balance Brought Forward	(1,093)	2,647	<b>1,554</b>
(Surplus)/ Deficit for the Year	(893)	(1,142)	<b>(2,035)</b>
<b>Balance Carried Forward</b>	<b>(1,986)</b>	<b>1,505</b>	<b>(481)</b>
Share- Oldham Council	(1,731)	167	<b>(1,564)</b>
Share- Central Government	-	1,323	<b>1,323</b>
Share- Greater Manchester Combined Authority (Police and Crime Commissioner)	(186)	-	<b>(186)</b>
Share- Greater Manchester Combined Authority (Fire and Rescue Services)	(69)	15	<b>(54)</b>
<b>Total (Surplus) / Deficit</b>	<b>(1,986)</b>	<b>1,505</b>	<b>(481)</b>

2.7.41 The increasing prominence of Council Tax and Business Rates in helping fund Council services means that the Collection Fund financial position is subject to constant review. A forecast in-year surplus of £2.035m means that the projected year-end Collection Fund position (incorporating both Council Tax and Business Rates) is a projected surplus of £0.481m of which the share for the Council is a favourable £1.564m.

2.7.42 The forecast year-end position is an increase of £0.056m on the estimated position at month 8, at which point a surplus position of £0.425m was forecast. The reason for the movement in the forecast is an increase in the anticipated income from Council Tax payers partially offset by a reduction in the calculated provision for bad and doubtful debt for NDR.

2.7.43 The Greater Manchester Combined Authority Area continues to pilot 100% Business Rates Retention. The pilot was first implemented on 1 April 2017. The purpose of the pilot is to develop and trial approaches to manage risk and reward in a Local Government finance system that includes the full devolution of Business Rates revenues. It is hoped the new system will provide a stable funding stream whilst incentivising economic growth. Whilst the pilot is in place, a no detriment policy is in operation under which the Government guarantees that the Council can be no worse off than it would have been if it was not in the pilot area.

2.7.44 The Collection Fund forecast is such that it will have a neutral impact on the 2018/19 budget.

### 3 Use of Reserves

3.1 The total planned use of reserves increased by £0.043m between Month 8 and Quarter 3 (detailed at Appendix 1), making a net cumulative use of reserves in the year to date of £5.171m comprising of the following:

- £10.187m transfers from reserves representing 12.23% of the total available reserves

- 
- £5.016m budgeted transfers to reserves

3.2 In line with the Council's reserves policy, the recommended use of reserves to fund spend during the year have been initially approved by the appropriate officers prior to consideration by Cabinet. The reserve is then drawn down against the initial approval as expenditure is incurred.

3.3 Members are reminded that the budget for 2017/18 was set after the utilisation of £6.525m of reserves in addition to the usage referred to at 3.1 above. It is anticipated that the net use of reserves will continue to change up to the year end.

#### **4 Conclusion**

4.1 Whilst the current projected position, after adjustment for reserves, is an overall corporate under spend, the forecast over spending in two Portfolio areas remains a cause for concern. Action is being taken to manage expenditure in all areas, particularly those that are not subject to demand changes, in order to offset expenditure over which the Council has little control.

4.2 In relation to demand led pressures; work, in the form of mitigations and alternative delivery solutions is ongoing, there will, however be an inevitable lead in time for these benefits to be realised.