

## REVENUE BUDGET MONITORING REPORT 2018/19

### Month 8 - November 2018

#### 1 Background

- 1.1 The Authority's 2018/19 revenue budget was approved by Council on 28 February 2018 at a sum of £216.921m after £6.686m of budget reductions and a £7.264m use of reserves. Under established budget procedures all services are required to monitor and review their approved budgets during the financial year.
- 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 Month 8 together with known commitments, issues and planned management actions.

#### 2 Current Position

- 2.1 The current budget of £221.453m represents a £4.532m increase in funding from the originally agreed budget and a £1.751m increase in funding since that reported at Quarter 2. The movement is due to additional Government grants which have been received, some of which are ring-fenced, the most significant being £1.122m of Winter Resilience Funding for Adult Social Care, which was announced by the Chancellor in his Autumn Budget (this funding allocation will also be received in 2019/20).

**Table 1 – Changes to Funding Quarter 2 to Month 8**

Grant Funding	£000
Winter Resilience Funding	1,122
School Improvement Monitoring & Brokerage Grant	156
Capital Grants	453
Self-employed Review Funding	20
<b>Total</b>	<b>1,751</b>

- 2.2 The budget and forecast outturn is shown at Table 2, which is presented in a format that reflects the new reporting and governance arrangements and as such is not directly comparable to previous years.

**Table 2 - Summary Forecast Revenue Outturn**

<b>Portfolio</b>	<b>Budget</b>	<b>Forecast</b>	<b>In Year Use of Ear Marked Reserves</b>	<b>Variance Month 8</b>	<b>Variance Quarter 2</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Chief Executive	2,322	2,372	(65)	(15)	(27)
Corporate and Commercial Services	5,573	7,071	(1,999)	(501)	(248)
People and Place	138,739	146,431	(2,449)	5,243	5,098
Health and Adult Social Care Community Services	59,802	66,733	(6,930)	1	1
Reform	30,615	31,169	(470)	84	87
Capital, Treasury and Corporate Accounting	(15,598)	(20,555)	-	(4,957)	(5,010)
<b>NET EXPENDITURE</b>	<b>221,453</b>	<b>233,221</b>	<b>(11,913)</b>	<b>(145)</b>	<b>(99)</b>
<b>FINANCED BY:</b>	<b>(221,453)</b>	<b>(220,525)</b>	<b>(928)</b>	<b>-</b>	<b>-</b>
<b>NET FORECAST VARIANCE</b>	<b>-</b>	<b>12,696</b>	<b>(12,841)</b>	<b>(145)</b>	<b>(99)</b>

- 2.3 After the in-year use to date of ear marked reserves totalling £12.841m there is an under spend of £0.145m, a favourable movement of £0.046m since Quarter 2. A detailed list of the approved and planned use of reserves between Quarter 2 and Month 8 can be found at Appendix 1. The funding of the total net revenue expenditure is shown at Appendix 2. Whilst corporately, there is a small projected underspend at the end of the financial year there are significant variances contained within the forecast net position.
- 2.4 The People and Place Portfolio has a reported pressure of £5.243m, largely attributable to Children’s Social Care (£4.216m), in the main due to the continued rise in the numbers of Looked After Children and Out of Borough placements; this being a continuation of the pressures consistently reported in prior years and despite significant investment for 2018/19.
- 2.5 Also within People and Place there is an estimated overspend of £0.943m within Economic Development, mainly due to pressures within the Catering and Cleaning Service and a further £0.244m within Education and Early Years, linked to the provision of Home to School Transport. Once again this is a continuation of the position reported in 2017/18.
- 2.6 The Reform Portfolio has a reported an adverse variance of £0.084m due to pressures within Leisure and Youth and to a lesser extent Marketing and Communications which is being partially offset by underspends within other areas of the Portfolio.
- 2.7 Overspending is being offset by favourable variances in Corporate and Commercial Services (£0.501m), Chief Executive (£0.015m) and most significantly Capital Treasury and Corporate Accounting (£4.957m). Lower than anticipated costs for borrowing and capital financing, increased treasury management income and a number of un-ringfenced grants which have not been allocated to services underpin this underspend. A more detailed analysis of financial performance and the major variances can be found by Portfolio in the following sections.

2.8 The 2018/19 budget options total £6.686m plus there is a further £0.176m brought forward from 2017/18. The majority are forecast to be fully achieved, or mitigated elsewhere and are currently rated green or amber within the Budget Reduction Monitoring process.

## 2.9 Portfolio Summaries

### Chief Executive

2.9.1 The table below shows the forecast position after the approved and planned use of Earmarked Reserves.

**Table 3 - Chief Executive - Forecast Outturn**

	Revised Budget	Forecast	Use of Ear Marked Reserves	Variance
	£000	£000	£000	£000
Chief Executive	2,322	2,372	(65)	(15)
<b>Total Forecast Net Expenditure</b>	<b>2,322</b>	<b>2,372</b>	<b>(65)</b>	<b>(15)</b>

#### Summary

2.9.2 The forecast outturn at Month 8 now excluding Marketing and Communications, which has moved to the Reform Portfolio, is showing an underspend of £0.015m, an adverse movement of £0.012m compared to the £0.027m reported at Quarter 2.

#### Delivery of the 2018/19 Budget Reductions

2.9.3 The 2018/19 budget reductions for the Chief Executive portfolio of £0.290m are forecast to be fully achieved.

### Corporate and Commercial Services

2.9.4 The table below shows the forecast position after the approved and planned use of Earmarked Reserves.

**Table 4 – Corporate and Commercial Services - Forecast Outturn**

	Revised Budget	Forecast	Use of Ear Marked Reserves	Variance
	£000	£000	£000	£000
People Services	79	310	(173)	58
Finance	4,640	4,940	(542)	(242)
Legal Services	364	306	(55)	(113)
Commercial and Transformation Services	490	1,515	(1,229)	(204)
<b>Total Forecast Net Expenditure</b>	<b>5,573</b>	<b>7,071</b>	<b>(1,999)</b>	<b>(501)</b>

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## Summary

- 2.9.5 The forecast outturn at Month 8 is showing an under spend of £0.501m, an increase in the favourable variance of £0.253m compared to the underspend of £0.248m as reported at Quarter 2.

### People Services

- 2.9.6 The Directorate has a projected overspend of £0.058m, an increase of £0.056m from the position reported at Quarter 2 (a £0.002m overspend). A potential pressure of £0.085m within Business Intelligence, linked to the delivery of Budget Options is offset by a range of underspends, most notably £0.021m in People Services.

### Finance

- 2.9.7 The Directorate has a projected underspend of £0.242m, an increase of £0.143m from the £0.099m underspend reported at Quarter 2. This relates to continued vacant posts within the Audit and Finance services plus unallocated grant income received in relation to the Revenues and Benefits services.

### Legal Services

- 2.9.8 The Directorate has a projected underspend of £0.113m; no movement on the position reported at Quarter 2. This is due to underspends on vacant posts in the areas of Civic and Political Support and Constitutional Services.

### Commercial and Transformational Services

- 2.9.9 The Directorate is showing an under spend of £0.204m at Month 8, a favourable movement of £0.166m compared to the previously reported position. A range of cost pressures are being partially offset by a larger favourable variance as a result of vacant posts within the ICT Client Team.

### Delivery of the 2018/19 Budget Reductions

- 2.9.10 The Budget Reductions for the Corporate and Commercial Services Portfolio in 2018/19 are £5.270m of which £5.185m are forecast to be achieved. However, as referred to above at 2.9.6, two options in relation to Business Intelligence are causing a concern which is only partially mitigated by underspends elsewhere within People Services. Work is ongoing to confirm the delivery of the budget reduction proposals 'Review of Joint Ventures' (£1.400m), with the expectation that this will be fully delivered by the end of the financial year.

## People and Place

2.9.11 The following table shows the forecast position after the approved and planned use of Earmarked Reserves for the People and Place Directorate.

**Table 5 – People and Place - Forecast Outturn**

	Revised Budget	Forecast	Use of Ear Marked Reserves	Variance
	£000	£000	£000	£000
Children's Social Care	34,259	39,187	(712)	4,216
Community Services	4,953	4,824	(15)	(144)
Economic Development	10,253	11,550	(355)	943
Education and Early Years	20,936	21,430	(250)	244
Enterprise and Skills	2,940	3,726	(726)	60
Environmental Services	65,397	65,714	(393)	(76)
<b>Total Forecast Net Expenditure</b>	<b>138,739</b>	<b>146,431</b>	<b>(2,449)</b>	<b>5,243</b>

### Summary

2.9.12 The forecast outturn at Month 8 is an adverse variance of £5.243m compared £5.098m at Quarter 2, an increase of £0.145m. The main areas of focus are explained in the following paragraphs.

#### Children's Social Care

2.9.13 The Directorate has a projected overspend of £4.216m after the application of £0.712m of Earmarked Reserves, in addition to which there is a further utilisation of revenue grant reserves of £0.545m; a total of £1.257m from both sources is therefore applied to Children's Social Care. This includes £0.924m of reserve funded expenditure in relation to the Short Term Investment programme that was approved earlier in the year with the aim of effectively reviewing and managing care plans. The variance has increased by £0.125m from the position reported at Quarter 2 due to the recruitment of two additional agency workers, considered essential to ensure the service operates effectively.

The principal factors are detailed below;

- Children in Care is reporting an adverse variance of £3.334m which is largely due to the continuing high level of numbers of Looked After Children and Out of Borough Placements particularly in the early part of the year. There are also reported overspends relating to the increase in the number of children with disabilities requesting personal budgets and the number of care leavers living in supported accommodation.
- Fieldwork & Family Support is reporting an adverse variance of £0.747m in part due to assistance given to No Recourse to Public Funds families and financial assistance payments to families. There is also an adverse variance on legal costs. The number of agency social workers is a cause for concern. If there is no reduction in the number of agency workers, the forecast

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overspend could increase further, however their use is linked to the work to strengthen the social work teams.

- Children's Safeguarding is reporting an adverse variance of £0.135m. The over spend is primarily arising as a result of travel and subsistence payments to staff.

The 2019/20 budget report, elsewhere on the agenda, shows how the Council is addressing these spending pressures with further investment in Children's Social Care.

### Economic Development

2.9.14 The Directorate has a projected overspend of £0.943m, a reduction of £0.199m on the £1.142m reported at Quarter 2; the principal factors are detailed below.

- There is a reported pressure of £0.115m for the Property Workplan based on historic levels of activity, however, this will be kept under review as the new relationship with the strategic partner develops. Additional cost pressures in the Investment Estate account for the remainder of the adverse variance.
- An overall balanced position is being projected for Regeneration. However, there are pressures in relation to an underachievement of staff capitalisation costs, and recoupment of professional fees (£0.293m). Costs can only be capitalised if officers are carrying project management duties on a capital scheme which has progressed beyond the initial investment decision. There are currently no regeneration schemes expected to progress through to this stage over the financial year. This is offset by vacancies and additional income from strategic acquisitions within the town centre and rent rebates which are one off for this financial year.
- The Catering and Cleaning services continue to forecast an adverse variance of £0.732m. The overspend is due to staffing, 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 looking to make efficiencies by improving processes with potentially the implementation of IT equipment to order and record the number of meals. There are also a range of management actions under consideration to control the overspending. As these measures are approved and implemented, they will be incorporated into the forecasts.
- Planning is forecasting an adverse variance of £0.096m due to additional agency fees to cover vacancies within the Service, it is anticipated that the temporary employees will be replaced by permanent staff during month 9. It should be noted that Building Control is now reported under Environmental Services.

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## Education and Early Years

- 2.9.15 The Directorate has a projected over spend of £0.244m compared to £0.175m at Quarter 2 due to continuing demand pressures within the Home to School transportation service. The current routes will be re-procured during the 2018/19 academic year and 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 and Home to School transport will form part of a wider external review of Special Educational Needs spending.

## Environmental Services

- 2.9.16 The Directorate has a projected underspend of £0.076m, a reduction of £0.237m from the £0.313m underspend reported at Quarter 2; predominantly due to the adverse variance on Building Control (£0.204m) now being shown in this service area (having transferred from Economic Development). Underspends are forecast on waste disposal due to the favourable diversion of residual waste to landfill (£0.128m) and also within the Environmental Management service (£0.019m). Public Protection has seen an increase in recharges for the recovery of pollution control, however an additional £0.060m cost relating to Response Services digital radio contract has reduced the forecast underspend to £0.060m. There is a £0.060m underspend within the Street Lighting contract, with higher than anticipated running costs being recovered from Rochdale Council.

## Delivery of the 2018/19 Budget Reductions

- 2.9.17 The 2018/19 budget reductions for the People and Place portfolio of £0.296m are forecast to be fully achieved.

## **Health and Adult Social Care Community Services**

- 2.9.18 The newly formed portfolio provides social care support to adults and carers across Oldham with a key aim of integrating and aligning the work with health partners to achieve greater efficiency in service delivery and better outcomes for the resident or patient. This covers both the commissioning and the provision of services.
- 2.9.19 The table below shows the forecast Directorate position with a planned use of Earmarked reserves totalling £6.930m.

**Table 6 – Health and Adult Social Care Community Services- Forecast Outturn**

	Revised Budget	Forecast	Use of Ear Marked Reserves	Variance
	£000	£000	£000	£000
Adult Social Care Support	90	90	-	-
Client Support Services	2,072	2,040	-	(32)
Commissioning	21,240	21,217	-	(23)
Director Adult Social Care	(7,778)	(848)	(6,930)	-
Learning Disability and Mental Health	18,303	18,304	-	1
Older People and Safeguarding Services	25,875	25,930	-	55
<b>Total Forecast Net Expenditure</b>	<b>59,802</b>	<b>66,733</b>	<b>(6,930)</b>	<b>1</b>

### Summary

2.9.20 The forecast outturn at Month 8, a very minor overspend of £0.001m across the portfolio remains unchanged from Quarter 2.

### Client Support Services

2.9.21 The service is projecting to underspend by £0.032m compared to £0.044m at Quarter 2 as a result of additional income generated from Court of Protection charges.

### Commissioning

2.9.22 The service is reporting a favourable variance of £0.023m at Month 8 compared to a pressure of £0.034m at Quarter 2; the underspend generated by a number of vacant posts is being partially offset by a shortfall in income largely down to buyback of the Helpline service operated by MioCare.

### Director of Adult Social Care

2.9.23 The Service is showing a balanced outturn incorporating a planned transfer of resources funded by Earmarked Reserves of £6.930m, an increase of £6.176m from the anticipated £0.754m use reported at Quarter 2. Of the increase, £5.900m relates to the agreed increased contribution to the Section 75 Pooled Fund in 2018/19. Members will recall this contribution will enable our partners to access funds in 2019/20 which will benefit the system approach to Health and Social Care and as a result the Authority's contribution to the Pooled Fund is expected to reduce in 2019/20.

### Learning Disability and Mental Health

2.9.24 The services are forecasting a combined overspend for the year of £0.001m compared to the £0.006m which was reported at Quarter 2. The variances in relation to the various elements of Community Care remain as reported at Quarter 2 (a combined overspend of £0.639m) as does the predicted underspends on staff costs (£0.222m) and sensory equipment (£0.030m). The only minor changes are an upturn in the number of clients eligible for Continuing Health Care contributions, resulting in additional income from the CCG of £0.190m (£0.186m at Quarter 2) and likewise non-



residential income recovery from clients within Learning Disabilities is now set to overachieve by £0.196m compared to £0.195m at Quarter 2.

#### Older People and Safeguarding

- 2.9.25 The Service is projecting to overspend by £0.055m an increase of £0.051m on the over spend of £0.004m reported at Quarter 2. Physical Support care management is now expected to overspend by £1.006m an increase of £0.367m compared to the £0.639m reported at Quarter 2, due to continued increases in both demand and the complexity of care packages for people receiving care at home. Sensory Support Care Management is projected to underspend by £0.317m (£0.304m at Quarter 2) due to a reduction in people in residential care and supported living. Income is expected to exceed the target by £0.261m as a result of increases in client and provider contributions. Several senior posts and a number of social worker posts have remained vacant for the first half of the year, consequently there is a projected underspend on salaries of £0.373m (£0.452m at Quarter 2).
- 2.9.26 There have been no further announcements or developments in relation to the application of the National Minimum Wage to sleep-in payments; an element of uncertainty and risk remains. No provision has currently been made within the forecast and a watching brief is being maintained.

#### Delivery of the 2018/19 Budget Reductions

- 2.9.27 The Budget Reductions for the Health and Adult Social Care Community Services Portfolio in 2018/19 are £0.150m plus £0.176m approved in 2017/18 carried forward into the current financial year; all of which are forecast to be fully achieved.

#### Progress against Locality Plans

- 2.9.28 A key element of the Health and Social Care devolution agenda is the submission of a Locality Plan setting out the joint Council and Oldham Clinical Commissioning Group (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.
- 2.9.29 The financial performance against the latest version of the 2018/19 Locality Plan is highlighted below in the table below;

**Table 7 – Locality Plan**

	Revised Budget £000	Forecast £000	Variance £000
Health and Adult Social Care Community Services	59,323	59,324	1
Public Health	11,410	11,410	0
Children's Social Care	34,259	38,475	4,216
<b>Total</b>	<b>104,992</b>	<b>109,209</b>	<b>4,217</b>

2.9.30 The range of services included within the Locality Plan does not completely align with the Council's Directorate reporting arrangements. The reported variances do therefore on occasion differ slightly from the position reported by the Council. That said, the reasons for the variances are consistent with those reported within Children's Social Care (section 2.9.13), Health and Adult Social Care Community Services (sections 2.9.18 to 2.9.27) and Public Health (section 2.9.40).

2.9.31 The forecast expenditure reported in Table 7 is net of any use of reserves, which in the case of Health and Adult Social Care Community Services includes the £5.900m contribution to the Section 75 pooled fund as referenced in sections 2.9.23 and 2.9.34.

### Oldham Cares; Section 75 Reporting for Oldham Council

2.9.32 Section 75 agreements exist between Local Authorities and the NHS nationally for the pooling of budgets to facilitate closer working. Historically Oldham has entered into such an agreement with the CCG. The scope of services contained within the Section 75 agreement has increased considerably for 2018/19. The Council's contribution and relevant forecast outturn are illustrated in the table below.

**Table 8- Section 75 Reporting for Oldham Council**

	Revised Budget Expenditure £000	Forecast Expenditure £000	Variance £000
Carers Services	342	342	0
Extra Care Housing	263	263	0
Hospital and Urgent Care Social Work Team	676	676	0
Housing Related Commissioning	478	478	0
Learning Disability Support	12,285	12,654	369
Mental Health and LD Contracts	4,021	4,021	0
Mental Health Support	6,359	6,628	269
Mio-Care Contract	11,137	11,137	0
Older people contracts	718	718	0
Physical Support	29,406	30,413	1,007
Sensory Support	1,346	1,029	(317)
Strategic Commissioning Staffing	235	235	0
Support with memory & cognition	2,886	2,913	27
Community Cluster Teams	2,018	2,018	0
Community Equipment	1,400	1,400	0
Disabled Facilities Grant - Capital	1,914	1,914	0
<b>Sub Total</b>	<b>75,484</b>	<b>76,839</b>	<b>1,355</b>
OMBC Support for CCG Commissioned Services		5,900	5,900
<b>Grand Total</b>	<b>75,484</b>	<b>82,739</b>	<b>7,255</b>

2.9.33 The initial Section 75 agreement for 2018/19 encompassed pooled budgets totalling £74.899m. This has increased with the application of additional resources and virements between budgets in and outside of the pool to £75.484m. Against the revised budget there is a forecast adverse variance of £1.355m compared to £0.973m at the end of Quarter 2. The increase in the pressure is in line with the elements of overspend

relating to community care linked to Learning Disability and Mental Health and also Older People and Safeguarding reported at sections 2.9.24 and 2.9.25 within Health and Adult Social Care Community Services. The overspend is offset by favourable variances (income generation and salaries underspends) elsewhere within the services to deliver a virtually balanced outturn for the portfolio as a whole.

2.9.34 The Councils contribution to the pooled fund for 2018/19 is forecast to increase by £5.900m, as outlined in section 2.9.23. The contribution will provide support for CCG commissioned services within the Section 75 agreement in the current financial year, correspondingly the Authority's contribution to the Pooled Fund is expected to reduce in 2019/20.

## Reform

2.9.35 The following table shows the forecast position for the Reform portfolio after the approved and planned use of Earmarked Reserves.

**Table 9 – Reform – Forecast Outturn**

	Revised Budget	Forecast	Use of Ear Marked Reserves	Variance
	£000	£000	£000	£000
Executive Support	15	(21)	-	(36)
Heritage, Libraries and Arts	7,203	7,264	(80)	(19)
Leisure and Youth Services Client	5,494	5,676	(62)	119
Policy	50	82	(32)	(1)
Public Health (Client and Delivery)	17,850	18,046	(196)	(0)
Marketing and Communications	2	122	(100)	21
<b>Total Forecast Net Expenditure</b>	<b>30,615</b>	<b>31,169</b>	<b>(470)</b>	<b>84</b>

2.9.36 The forecast outturn at Month 8 is an over spend of £0.084m a slight reduction on the £0.087m reported at Quarter 2. The paragraphs below outline the main movements within the portfolio.

2.9.37 Executive Support is showing an under spend of £0.036m relating to staffing vacancies.

2.9.38 Heritage, Libraries and Arts is predicting an under spend of £0.019m a reduction of £0.044m on the £0.063m reported at Quarter 2. The majority of services are predicting a balanced outturn, the general trend being salary underspends supporting overspends in other areas, this includes Libraries where £0.080m is projected as being drawn down from Earmarked Reserves to fund refurbishment work. The music service is forecasting an adverse variance of £0.087m mainly due to a shortfall against the income target. The PFI contract is currently forecast to underspend by £0.106m following the transfer of ICT delivery services to the Unity partnership.

2.9.39 Leisure and Youth is forecasting a pressure of £0.119m, reduction of £0.050m on the £0.169m at Quarter 2. There is a forecast overspend of £0.049m within Leisure, the majority of which relates to the balance of the various payments the Council is contractually obliged to make to Oldham Community Leisure, after the application of

£0.047m of reserves. Outdoor Education is forecasting a pressure of £0.048m, a combination of a shortfall in predicted income, additional coach hire and overspends on salaries. There is a predicted adverse variance of £0.037m within Sports Development, the main factor being a shortfall against targeted income. A range of net positive minor variances account for the remaining £0.015m.

- 2.9.40 Public Health is showing a balanced outturn, this is after a £0.196m (provisional) drawdown from the Public Health reserve. There are potential future financial liabilities arising firstly from the Council vacating NHS premises and relocating Health Visitors and School Nurses in health centres across Oldham for the 0-5 Right Start Model and secondly as a result of occupation and the payment of premises costs for the delivery of sexual health service at the Integrated Care Centre. Discussions are on-going as both these issues impact on the local health economy across the Council and the CCG. Additional costs have not been included within the current forecasts for either of these factors, but it is anticipated that they will be addressed by the use of reserves. The on-going costs have been factored into the 2019/20 budget.
- 2.9.41 Marketing and Communications which was previously reported within the Chief Executive portfolio is showing a minor overspend of £0.021m, this is after the use of reserves totalling £0.100m.

#### Delivery of the 2018/19 Budget Reductions

- 2.9.42 The Budget Reductions for the Reform Portfolio in 2018/19 are £0.680m and forecast to be fully achieved.

### Capital, Treasury and Corporate Accounting

- 2.9.43 The forecast outturn at Month 8 is an under spend of £4.957m. This budget includes the income and expenditure from the Council's investments and borrowing as well as capital financing costs.

**Table 10 – Capital, Treasury and Corporate Accounting – Forecast Outturn**

	Revised Budget	Forecast	Use of Ear Marked Reserves	Variance
	£000	£000	£000	£000
Capital, Treasury and Corporate Accounting	(15,598)	(20,555)	-	(4,957)
<b>Total Forecast Net Expenditure</b>	<b>(15,598)</b>	<b>(20,555)</b>	<b>-</b>	<b>(4,957)</b>

- 2.9.44 The underspend reported is largely due to the anticipated costs for borrowing and capital financing being lower than the prudent amount that was originally budgeted for, increased income from treasury management activities and a number of un-ringfenced grants which have been held centrally and so underpin the budget.
- 2.9.45 Sign up for the voluntary annual leave purchase scheme is currently not sufficient to achieve the target included within the 2018/19 budget which is held within this portfolio. At Month 8, the forecast adverse variance with regard to this scheme is £0.502m. This will continue to be monitored throughout the financial year with any future year impacts analysed and reported accordingly.

## Schools

- 2.9.46 The Council's expenditure on schools is funded primarily by grant monies provided by the Department for Education, the Dedicated Schools Grant (DSG). DSG is ringfenced and can only be applied to meet expenditure properly included in the Schools' Budget, as defined in the School Finance (England) Regulations 2017. The Schools' Budget includes elements for a range of educational services provided on an authority wide basis and for the Individual Schools Budget which is divided into a budget share for each maintained school.
- 2.9.47 Members will recall the DSG is made up of 4 blocks
- Schools
  - High Needs
  - Early Years
  - Central Schools Services
- 2.9.48 Despite the support from the Schools block in 2018/19, the High Needs Block in Oldham is still expected to have an in-year deficit. It was initially estimated that this would be £1.554m, an increase of £0.099m from the position reported at Quarter 2; due to an increase of £0.131m for pupils attending Kingsland School and revisions in funding for Special Schools. It was therefore anticipated that there would be cumulative High Needs Block deficit of £9.529m at 31 March 2019. This is then offset by cumulative virements and savings from the Schools and Early Years blocks to leave an initial net deficit of £3.609m. After adjusting for newly announced resources (see paragraph 2.9.49), this then falls to £2.987m (as illustrated in Table 11 below). The High Needs Block therefore represents a significant element (73%) of the overall deficit on the DSG.

**Table 11 – DSG - High Needs Block**

	£000
Original Budget Allocation	30,925
Budget Changes	(118)
Contribution from Schools Block (Schools Forum/ Secretary of State approval)	1,878
<b>2018/19 Total Budget Available</b>	<b>32,685</b>
Estimated Expenditure	(34,239)
<b>Projected in Year Deficit</b>	<b>(1,554)</b>
Deficit Brought Forward 01/04/2018	(7,975)
<b>Cumulative Deficit</b>	<b>(9,529)</b>
Offset by;	
Virement from Schools Block- 2016/17 & 2017/18	2,768
Savings in Schools and Early Years Block- 2015/16, 16/17 & 17/18	3,152
<b>Initial Projected Deficit 31/03/2019</b>	<b>(3,609)</b>
New Resources - announced December 2018	622
<b>Projected Deficit 31/03/2019</b>	<b>(2,987)</b>

## Overall DSG Position

2.9.49 The cumulative deficit on the DSG is presented in Table 12 below. At the start of 2018/19 it was £3.031m of which £2.055m was attributable to the High Needs block. The initial year-end forecast position for the DSG for 2018/19, prior to the receipt of the new funding was a cumulative deficit of £4.587m, the increase being mostly attributable to further pressures in High Needs as outlined in Table 11. The projected deficit includes an increase in the growth fund of £0.751m. It is important to note that if this extra funding is not needed during 2018/19 it will be used to offset the deficit. However on 17 December the Secretary of State for Education announced additional funding of £250m over 2 years for the High Needs Block to address the national pressure on High Needs spending and in response to representations made by the Local Government and Schools sectors. This included an allocation for Oldham of £0.622m in each of 2018/19 and 2019/20. The 2018/19 funds will be used to partially offset the projected deficit to give a revised projected deficit of £3.965m.

**Table 12 - Overall DSG Position**

Reason for the Deficit	£000
Deficit High Needs Block 2015/16 to 2017/18	(2,055)
Deficit Early Years Block 2015/16 to 2017/18	(976)
<b>Cumulative Deficit 2017/18 as above</b>	<b>(3,031)</b>
Other Changes including pressures in High Needs Funding	(1,556)
<b>Initial Projected Cumulative Deficit 2018/19</b>	<b>(4,587)</b>
New Resources - announced December 2018	622
<b>Projected Cumulative Deficit 2018/19</b>	<b>(3,965)</b>

2.9.50 There is a requirement that the DSG is brought back into balance as soon as possible and Authority officers are currently working on a DSG financial recovery plan which has been outlined to the Schools Forum. This was discussed at the Schools Forum meeting on 17 January 2019 and further updates will be provided at future meetings of the Schools Forum.

## Housing Revenue Account (HRA)

2.9.51 Table 13 compares the initially approved position to the current estimated outturn. The actual closing balance for 2017/18 at £20.162m was £0.575m better than the estimate of £19.587m. The original HRA forecast was for an in-year decrease in balances of £0.727m, the revised forecast is for an increase of £1.204m, a favourable movement of £1.931m. The overall, significant favourable variance (£2.506m) is attributable to slippage on a major capital project to which the HRA is contributing along with the £0.575m variance from last year. The schemes are now scheduled to require resources in 2019/20 rather than 2018/19.

**Table 13- Housing Revenue Account Forecast Position**

Housing Revenue Account	Original Budget £000	Revised Budget £000	Variance £000
<b>Balance Brought Forward</b>	<b>(19,587)</b>	<b>(20,162)</b>	<b>(575)</b>
In Year Deficit/ Surplus	727	(1,204)	(1,931)
<b>Balance Carried Forward</b>	<b>(18,860)</b>	<b>(21,366)</b>	<b>(2,506)</b>

## Collection Fund

2.9.52 The tables below shows the forecast outturn position for the Collection Fund and the share of balances of the forecast position.

**Table 14 Collection Fund Forecast Position**

Collection Fund Balance	Council Tax £000	Business Rates £000	Total £000
Balance Brought Forward	(1,976)	1,342	(634)
Receipt from CG – Deficit 2016/17	-	(1,323)	(1,323)
(Surplus)/ Deficit for the Year	(575)	(80)	(655)
<b>Balance Carried Forward</b>	<b>(2,551)</b>	<b>(61)</b>	<b>(2,612)</b>

**Table 15 Collection Fund – Share of Forecast Position**

Collection Fund Share	Council Tax £000	Business Rates £000	Total £000
Share - Oldham Council	(2,209)	(60)	(2,269)
Share - Greater Manchester Combined Authority (Police and Crime Commissioner)	(246)	-	(246)
Share - Greater Manchester Combined Authority (Fire and Rescue Services)	(96)	(1)	(97)
<b>Total (Surplus) / Deficit</b>	<b>(2,551)</b>	<b>(61)</b>	<b>(2,612)</b>

2.9.53 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 £0.655m means that the projected year-end Collection Fund position (incorporating both Council Tax and Business Rates) is a projected surplus of £2.612m of which the share for the Council is a favourable £2.269m.

2.9.54 The forecast year-end position is different than that estimated at Quarter 2, at which point a surplus position of £2.032m was forecast. The reason for this favourable movement in the forecast is an increase in the Council Tax/Business Rates gross debit, a reduction in reliefs and a decrease in the provision for bad and doubtful debt as a result of improved collection.

2.9.55 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. Whilst the pilot is in place, a no detriment policy is in operation under which the Government guarantees that the level of business rates income/ grant that a Council receives can be no less than it would have been if it was not in the pilot area.

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### **3 Use of Earmarked Reserves**

- 3.1 The total planned use of Earmarked Reserves at Month 8 is £12.841m. Members are reminded that this is in addition to the utilisation of £7.264m of reserves that were applied in setting the initial 2018/19 budget, £20.105m in total. Appendix 1 shows the transfers from Earmarked reserves between Quarter 2 and Month 8.
- 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. It is currently forecast that the total use of reserve usage in year may increase to £21.989m but be offset at the year-end leaving a net movement of £17.290m. It is however anticipated that the net use of reserves will continue to change up to the year end.

### **4 Future Reporting**

- 4.1 As of 1 April 2019 the Council will adopt a revised methodology and accounting treatment for Central Support Service (CSS) Recharges, this is in response to changes in the organisational structure of the Council, the share purchase of the Unity Partnership and the revised CIPFA guidance which no longer requires Local Authorities to apportion central overheads to services. As a result for 2019/20 the Council will, for the majority of services no longer include and report CSS recharges in service budgets (whilst continuing to maintain records sufficient to continue reporting CSS costs in statutory returns). At the same time and in exactly the same way, capital financing charges will also be removed from service budgets.
- 4.2 This will be an improvement to financial reporting and management information. It will remove non-controllable budgets from service reporting but there will be no overall budgetary impact to Directorates arising from this change. It will, however, change the presentation of the budget and impact on comparative information between years, in service detail but not at overall Council level.

### **5 Conclusion**

- 5.1 Whilst the current projected position, after adjustment for reserves, is an overall corporate underspend, the forecast overspending, within People and Place 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.
- 5.2 In relation to demand led pressures; work, in the form of mitigations and alternative delivery solutions is on-going, as reported to Members this is particularly focused within Children's Social Care. There will, however be an inevitable lead in time for these benefits to be realised. The implications arising from the 2018/19 in year position have been factored into financial planning estimates for 2019/20 and future years as appropriate.



## Appendix 1- Month 8- Planned Transfers from Earmarked Reserves (Quarter 2 to Month 8)

Reserve Name	Opening Balance 1 October 2018 £000	Use of Contribution from/to Earmarked Reserves Month 8 £000	Expected Closing Balance 31 March 2019 £000	Reason for Use of Reserve
Online Claim form	(75)	75	-	To replace the Council Tax Reduction online claim and change of circumstances form in 2018/19 in support of the Digital by Design workstream.
Unity Transformation Programme	(466)	8	(459)	Expenditure associated with the transformation programme within the Unity Partnership
Transformation Fund	(1,004)	50	(954)	External advice to support transformational activity
<b>Corporate and Commercial Services</b>	<b>(1,545)</b>	<b>133</b>	<b>(1,413)</b>	
Market Refurbishment Reserve	(75)	75	-	To fund preliminary works in relation to the refurbishment of Tommyfield Market
Strategic Planning and Information	(101)	46	(55)	To support delivery of the GM Spatial Framework (GMSF) and review of Oldham's Local Plan
Leadership Priorities	(300)	75	(225)	To fund the additional resource requested in street cleaning and enforcement as agreed by the Cabinet
Warehouse to Wheels	(69)	67	(2)	For the delivery of the Get Oldham Working 'Warehouse-to-wheels' initiative. This will be used to train existing warehouse, or other staff within SME companies in the Borough to obtain a Category C Large Goods Vehicle licence
GOW 2: Economy and Skills ERDF Business Support Match Fund	(173)	173	-	The use of the reserve is required to provide the match funding for an ERDF business support programme.
Town Centre Masterplan	(580)	267	(313)	To support actions in relation to the development of the town centre
<b>People and Place</b>	<b>(1,298)</b>	<b>703</b>	<b>(595)</b>	
Public Health Reserve	(336)	96	(240)	To help mitigate pressures on the service as a result of efficiencies requiring further development
Library Fund	(24)	1	(23)	To fund refurbishment work across various Libraries within the borough.
Youth Services	(41)	15	(26)	The reserve will be used to offset against the Youth and Leisure spending pressures.
Social Care Budget Reserve	(844)	47	(797)	Contractual commitments in relation to Oldham Community Leisure
<b>Reform</b>	<b>(1,245)</b>	<b>159</b>	<b>(1,086)</b>	
Better Care Fund - Scheme 3	(285)	276	(9)	Payment to the CCG to support integration and joint working
Fiscal Mitigation	(12,725)	5,900	(6,825)	Increased Council contribution to the S.75 pooled fund to support the system approach to Health and Social Care
<b>Health and Adult Social Care Community Services</b>	<b>(13,010)</b>	<b>6,176</b>	<b>(6,834)</b>	
<b>Total New Use of Reserves</b>		<b>7,171</b>		

## Appendix 2 – Financing of the Budget at Month 8

	£'000	£'000
<b>Net Expenditure Budget</b>		<b>(221,453)</b>
<b>Financed by:</b>		
Business Rates Top-up Grant	(47,975)	
Grants in Lieu of Business Rates	(7,549)	
Improved Better Care Fund Grant - Tranche 1	(4,687)	
Improved Better Care Fund Grant – Tranche 2	(3,201)	
Independent Living Fund Grant	(2,661)	
Adult Social Care Support Grant	(701)	
Adult Personal Social Services	(208)	
Adult Social Care Winter Resilience Grant	(1,122)	
Opportunity Area Grant	(2,237)	
Housing Benefit & Council Tax Administration Grant	(1,220)	
New Homes Bonus Grant	(1,601)	
School Improvement Monitoring & Brokerage Grant	(261)	
DWP - Implementation of Universal Credit Grant	(262)	
DWP New Burdens Grant	(92)	
Homelessness Support Grant	(116)	
Homelessness Reduction - New Burdens	(48)	
Lead Local Flood Authority	(11)	
Extended Rights to Free Travel	(32)	
Personal Advisor support for care leavers	(11)	
SEND Regional Co-ordinator Grant	(24)	
Property Searches New Burdens	(24)	
Transition to Universal Credit Housing	(23)	
Self-employed review funding	(20)	
Staying Put Grant	(62)	
KS2 Moderation & KS1 Phonics	(13)	
Capital Grants	(531)	
<b>Total Government Grant Funding</b>		<b>(74,692)</b>
Council Tax Income - General	(82,386)	
Council Tax Income - Adult Social Care Precept	(4,831)	
Retained Business Rates	(51,352)	
<b>Total Locally Generated Income</b>		<b>(138,569)</b>
<b>Total Grant and Income</b>		<b>(213,261)</b>
Balance to be addressed by Use of Reserves		(8,192)
<b>Total Financing</b>		<b>(221,453)</b>