

REVENUE BUDGET MONITORING REPORT 2018/19

Quarter 3 - December 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 (subsequently increased by £0.928m as a result of a reduction in Government grant funding). 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 Quarter 3 together with known commitments, issues and planned management actions.

2 Current Position

2.1 The current budget of £221.962m represents a £5.041m increase in funding from the originally agreed budget and a £0.509m increase in funding since that reported at Month 8, being; receipt of £0.105m of Brexit Preparation Grant plus the utilisation of capital grants (£0.404m) reflecting the reporting arrangements required when preparing the Statement of Accounts.

2.2 The budget and forecast outturn is shown at Table 1, as previously reported, it is presented in a format that reflects the new reporting governance arrangements; including, for the first time at Quarter 3 the transfer of the Business Intelligence and the Project Management Office (PMO) service areas out of the Corporate and Commercial Services portfolio into the Reform portfolio. As such individual portfolio performance is not directly comparable to previous years or months.

Table 1 - Summary Forecast Revenue Outturn

Portfolio	Budget	Forecast	In Year Use of Reserves	Variance Quarter 3	Variance Month 8
	£000	£000	£000	£000	£000
Chief Executive	2,322	2,372	(65)	(15)	(15)
Corporate and Commercial Services	5,548	6,334	(1,317)	(531)	(501)
People and Place	142,223	150,154	(2,633)	5,298	5,243
Health and Adult Social Care Community Services	60,006	61,192	(1,185)	2	1
Reform	30,640	31,349	(688)	21	84
Capital, Treasury and Corporate Accounting	(18,776)	(23,806)	-	(5,030)	(4,957)
NET EXPENDITURE	221,962	227,595	(5,888)	(255)	(145)
FINANCED BY:	(221,962)	(221,034)	(928)	-	-
NET FORECAST VARIANCE	-	6,561	(6,816)	(255)	(145)

- 2.3 After the in-year use to date of ear marked reserves totalling £6.816m there is an underspend of £0.255m, a favourable movement of £0.110m since Month 8. 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. 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 £5.298m, largely attributable to Children's Social Care (£4.060m), 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 £1.199m within Economic Development, mainly due to pressures within the Catering and Cleaning Service as a result of the implementation of the Oldham Living Wage and the Education and Early Years' service, linked to the provision of Home to School Transport. Once again this is a continuation of the position reported in 2017/18.
- 2.6 Overspending is being offset by favourable variances in Corporate and Commercial Services (£0.531m), Chief Executive (£0.015m) and most significantly Capital Treasury and Corporate Accounting (£5.030m). Lower than anticipated costs for borrowing and capital financing, increased treasury management income and a number of un-ring-fenced 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.
- 2.7 The 2018/19 approved budget reductions 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 within the Budget Reduction Monitoring process. An option requiring a £0.050m reduction in the Public Health contribution to Business Intelligence (now forming part of the Reform portfolio) is currently not expected to be achieved in the current financial year but will be addressed in 2019/20.

2.8 Portfolio Summaries

Chief Executive

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

Table 2 - Chief Executive - Forecast Outturn

	Revised Budget £000	Forecast £000	Use of Reserves £000	Variance £000
Chief Executive	2,322	2,372	(65)	(15)
Total Forecast Net Expenditure	2,322	2,372	(65)	(15)

Summary

- 2.8.2 The forecast outturn for the portfolio at Quarter 3 is showing an under spend of £0.015m.

Delivery of the 2018/19 Budget Reductions

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

Corporate and Commercial Services

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

Table 3 – Corporate and Commercial Services - Forecast Outturn

	Revised Budget £000	Forecast £000	Use of Reserves £000	Variance £000
People	59	49	-	(10)
Finance	4,640	4,503	(127)	(265)
Legal Services	364	284	(55)	(135)
Commercial and Transformation Services	485	1,498	(1,135)	(122)
Total Forecast Net Expenditure	5,548	6,334	(1,317)	(531)

Summary

- 2.8.5 The forecast outturn at Quarter 3 is showing an under spend of £0.531m. The sections below provide greater detail on the departmental position.

People Services

- 2.8.6 The Directorate, now excluding Business Intelligence is showing an under spend of £0.010m at Quarter 3.

Finance

- 2.8.7 The Directorate is showing an under spend of £0.265m at Quarter 3. This is due to vacant posts within Audit and Finance and income generation within the Information Governance team.

Legal Services

- 2.8.8 The Directorate is showing an under spend of £0.135m at Quarter 3. This is due to underspends on vacant posts in the areas of Civic and Political Support and Constitutional Services and income generation from schools in Legal Services.

Commercial and Transformational Services

2.8.9 The Directorate, now excluding the PMO is showing an under spend of £0.122m at Quarter 3. There are some additional agency costs offset by vacant posts within the ICT Client Team.

Delivery of the 2018/19 Budget Reductions

2.8.10 The Budget Reductions for the Corporate and Commercial Services Portfolio in 2018/19 are £5.185m and will be fully achieved.

People and Place

2.8.11 The following table shows the forecast position after the approved and planned use of ear marked reserves for the People and Place Directorate.

Table 4 – People and Place - Forecast Outturn

	Revised Budget £000	Forecast £000	Use of Reserves £000	Variance £000
Children's Social Care	34,259	39,026	(707)	4,060
Community Services	4,959	4,850	(15)	(124)
Economic Development	13,499	15,054	(356)	1,199
Education and Early Years	21,101	21,596	(250)	244
Enterprise and Skills	3,023	3,809	(726)	60
Environmental Services	65,381	65,819	(579)	(141)
Total Forecast Net Expenditure	142,223	150,154	(2,633)	5,298

Summary

2.8.12 The forecast outturn at Quarter 3 is an adverse variance of £5.298m compared to £5.243m at Month 8, an adverse movement of £0.055m. The main areas of focus are explained in the following paragraphs.

Children's Social Care

2.8.13 The Directorate has a projected overspend of £4.060m after the application of £0.707m of ear-marked reserves, in addition to which there is a further utilisation of revenue grant reserves of £0.545m; a total of £1.252m from both sources is therefore applied to Children's Social Care. The adverse variance has decreased by £0.156m from the £4.216m overspend reported at Month 8.

The principal factors are detailed below;

- Children in Care is reporting an adverse variance of £3.055m 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 over spends relating to the increase in the number of children with disabilities requesting personal budgets and the number of care leavers living in supported accommodation. The Children's Residential Units are also reporting an adverse staffing variance. The over spend has

reduced by £0.279m compared to that reported at Month 8. A projected decrease in the net cost of Out of Borough placements and a decrease in the forecast expenditure for aftercare and purchased semi-independence placements is offset by increased adoption costs; in relation to both the number of inter-agency placements outside the Regional Adoption Agency and also the continued increase in the number of Children with disabilities receiving direct payments.

- Fieldwork & Family Support is reporting an adverse variance of £0.871m, mainly due to the use of agency staff, No Recourse to Public Fund families and financial assistance payments to families. There is also an adverse variance on legal costs. The increase of £0.124m on the £0.747m reported at Month 8 is attributable to a continued increase in agency staffing costs which as previously reported is a cause for concern. If there is no reduction in the number of agency workers, the over spend 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 £0.134m; unchanged from Month 8. The over spend is primarily arising as a result of travel and subsistence payments to staff.

2.8.14 To address the ongoing spending pressures and to further facilitate the implementation of the new operating model significant investment within Children's Social Care was approved on 27 February 2019 within the 2019/20 Budget.

Community Services

2.8.15 The Service area includes a range of community-based services, including Early Help which is forecasting an underspend of £0.124m primarily related to salary costs, the remainder of the services are reporting a net balanced outturn, with no significant variances either way across the range of services

Economic Development

2.8.16 The Directorate has a projected over spend at Quarter 3 of £1.199m an adverse movement of £0.256m to the £0.943m pressure reported at Month 8; 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. Increased activity on repairs and maintenance and costs associated with asset disposals bring the overall Corporate Landlord overspend to £0.251m.
- 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 undertaking project management duties on a capital scheme that has progressed beyond the initial investment decision and none have progressed to this stage in 2018/19. 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.

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- The Catering and Cleaning services continue to forecast an adverse variance of £0.732m. The over spend 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 and take management action to control the over spending. It is anticipated that as initiatives will take time to implement, this will impact on the financial position during 2019/20 rather than 2018/19.
 - Planning is forecasting an adverse variance of £0.216m due to additional agency fees to cover vacancies within the Service. The temporary employees are on track to be replaced by permanent staff by the year end. It should be noted that Building Control is now reported under Environmental Services.

Education and Early Years

- 2.8.17 The Directorate has a projected over spend of £0.244m 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, the Home to School transport policy and Home to School transport are being considered as part of a wider external review of Special Educational Needs spending, which is currently underway.

Environmental Services

- 2.8.18 The Directorate has a projected underspend of £0.141m, an increase of £0.065m from the £0.076m underspend reported at Month 8. Building control is facing a pressure on income of £0.200m, offset by a range of underspends as follows:
- Waste Disposal due to the favourable diversion of residual waste to landfill (£0.181m),
 - Environmental Management as a result of vacancies (£0.020m),
 - Public Protection (£0.069m); an increase in recharges for the recovery of pollution control offset by additional costs relating to the Response Services digital radio contract,
 - Highways Operations and Unity (£0.011m),
 - Street lighting (£0.060m) as a result of higher than anticipated running costs being recovered from Rochdale Council.

Delivery of the 2018/19 Budget Reductions

- 2.8.19 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

- 2.8.20 The 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.

2.8.21 The table below shows the forecast Directorate position with a planned use of earmarked reserves totalling £1.185m.

Table 5 – Health and Adult Social Care Community Services- Forecast Outturn

	Revised Budget £000	Forecast £000	Use of Reserves £000	Variance £000
Adult Social Care Support	90	90	-	-
Client Support Services	2,076	2,040	-	(36)
Commissioning	21,426	21,351	-	(75)
Director Adult Social Care	(8,856)	(7,578)	(1,185)	93
Learning Disability and Mental Health	18,370	18,384	-	14
Older People and Safeguarding Services	26,899	26,905	-	6
Total Forecast Net Expenditure	60,006	61,192	(1,185)	2

Summary

2.8.22 The forecast outturn at Quarter 3, a very minor overspend of £0.002m across the portfolio, a minor change compared to the £0.001m overspend reported at Month 8.

Client Support Services

2.8.23 Client Support Services is projecting to underspend by £0.036m (£0.032m at Month 8) as a result of additional income generated from Corporate Appointeeship and Court of Protection charges.

Commissioning

2.8.24 The service is reporting an increased underspend of £0.075m compared to £0.023m at Month 8, mainly due to an increase in the projected income from the Helpline Service.

Director of Adult Social Care

2.8.25 The Service is reporting an over spend of £0.093m, compared to a balanced position at Month 8. Contractual savings of £0.107m are offsetting a £0.200m retrospective payment to the Oldham Clinical Commissioning Group (CCG) relating to 2017/18.

Learning Disability and Mental Health

2.8.26 The services are forecasting a combined overspend for the year of £0.014m, an increase of £0.013m on the position reported at Month 8. An increase in the complexity of care has resulted in an over spend of £0.449m for care provided in Supported Living over and above the core fee. Costs have also increased for Mental Health clients in both residential care (£0.176m) and nursing care (£0.154m). The community care overspend is offset by underspends on staff costs (£0.368m) and sensory equipment (£0.030m). In addition, an upturn in the number of clients eligible for Continuing Health Care has resulted in additional income from the CCG of £0.159m and likewise income recovery from non-residential clients within Learning Disabilities is set to overachieve by £0.208m.

Older People and Safeguarding

- 2.8.27 The Service is projecting to overspend by £0.006m an improvement of £0.049m on the overspend of £0.055m reported at Month 8. Physical Support care management is now expected to overspend by £1.152m an increase of £0.046m compared to the £1.006m reported at Month 8 as a result of continued increases in both demand and the complexity of care packages for people receiving care at home. Sensory Support Care Management remains projected to underspend by £0.317m due to a reduction in people in residential care and supported living. Income is expected to exceed the target by £0.460m as a result of increases in client and provider contributions. Several senior posts and a number of social worker posts were vacant during the first half of the year. Consequently, there is a projected under spend on salaries of £0.369m (£0.373m at Month 8).
- 2.8.28 In relation to the application of the National Minimum Wage to sleep-in payments, legal proceedings continue. The Department of Health and Social Care advises that a definitive resolution is not expected until the latter part of 2019 or more likely mid- 2020 unless matters are expedited.

Delivery of the 2018/19 Budget Reductions

- 2.8.29 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

- 2.8.30 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 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.
- 2.8.31 The financial performance against the latest version of the 2018/19 Locality Plan is highlighted below in the table below;

Table 6 – Locality Plan

	Revised Budget	Forecast	Variance
	£000	£000	£000
Health and Adult Social Care Community Services	59,524	59,529	5
Public Health	11,410	11,407	(3)
Children's Social Care	34,259	38,319	4,060
Total	105,193	109,255	4,062

- 2.8.32 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 2.8.13), Health and Adult Social Care Community Services (sections 2.8.20 to 2.8.29) and Public Health (section 2.8.42).

Oldham Cares; Section 75 Reporting for Oldham Council

2.8.33 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 Councils contribution and relevant forecast outturn are illustrated in the table below.

Table 7- 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	12,277	12,705	426
Mental Health and LD Contracts	4,023	4,023	0
Mental Health Support	6,429	6,746	317
Mio-Care Contract	11,137	11,137	0
Older people contracts	718	718	0
Physical Support	29,888	31,039	1151
Sensory Support	1,346	1,029	(317)
Strategic Commissioning Staffing	235	235	0
Support with memory & cognition	2,886	2,924	38
Community Cluster Teams	2,018	2,018	0
Community Equipment	1,400	1,400	0
Disabled Facilities Grant - Capital	1,914	1,914	0
Total	76,032	77,647	1,615

2.8.34 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 £76.032m (£75.484m at Month 8). Against the revised budget there is a forecast adverse variance of £1.615m compared to £1.355m at the end of Month 8. 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 2.8.26 and 2.8.27 within Health and Adult Social Care Community Services. The over spend is offset by favourable variances (income generation and salaries underspends) elsewhere within the services, outside of the pool to deliver a virtually balanced outturn for the portfolio as a whole.

2.8.35 Cabinet agreed at its meeting of 19 November 2018 that Oldham Council's contribution to the pooled budget would increase by £5.900m in 2018/19 (funded by reserves) to allow the system to access funds in 2019/20 to benefit the coordinated approach to Health and Social Care. Subsequently alternative resources have been identified by

Oldham CCG that will enable the local system to achieve the same objectives without the additional contribution from the Council. The Council will not therefore be required to use £5.9m of reserves and this revised position has been reflected in the tables and narrative in this report.

Reform

2.8.36 The following table shows the forecast position for the Reform portfolio after the approved and planned use of ear marked reserves.

Table 8 – Reform – Forecast Outturn

	Revised Budget £000	Forecast £000	Use of Reserves £000	Variance £000
Executive Support	16	(58)	-	(74)
Heritage, Libraries and Arts	7,203	7,209	(80)	(74)
Leisure and Youth Services Client	5,494	5,753	(85)	174
Policy	50	(19)	(28)	(97)
Public Health (Client and Delivery)	17,850	18,151	(301)	0
Marketing and Communications	2	122	(100)	21
Programme Management Office	5	99	(94)	0
Business Intelligence	20	92	-	72
Total Forecast Net Expenditure	30,640	31,349	(688)	21

2.8.37 The forecast outturn at Quarter 3 is an over spend of £0.021m a favourable movement of £0.063m compared to the £0.084m pressure reported at Month 8. This would have been a positive variance £0.051m without the inclusion of Business Intelligence and the PMO for the first time at Quarter 3. The paragraphs below outline the main movements within the portfolio.

2.8.38 Executive Support is showing an under spend of £0.074m relating to staffing vacancies, an improvement of £0.038m from the position reported at Month 8.

2.8.39 Heritage, Libraries and Arts is predicting an under spend of £0.074m, a favourable movement of £0.055m when compared to the £0.019m pressure reported at Month 8. 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 ear marked reserves to fund refurbishment work. The music service is forecasting an adverse variance of £0.082m mainly due to a shortfall against the income target. The PFI contract is currently forecast to underspend by £0.156m following the transfer of ICT delivery services to the Unity partnership.

2.8.40 Leisure and Youth is forecasting a pressure of £0.174m, an adverse movement of £0.055m on the £0.119m reported at Month 8. There is a forecast over spend 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 £0.057m

within Sports Development, the main factor being a shortfall against targeted income. There is a further pressure of £0.042m within the Swimming Service. A range of over and underspends all individually less than £0.020m account for the balancing net underspend of £0.022m

- 2.8.41 Policy is forecasting to underspend by £0.097m, mainly as a result of lower than anticipated staffing costs.
- 2.8.42 Public Health continues to forecast a balanced outturn, this is after a combined £0.301m drawdown against the Public Health and Thriving Communities reserves. 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 at the year end. The on-going costs have been factored into the 2019/20 budget. In addition, there is a potential further pressure arising from the proposed extension of the Right Start contract with Bridgewater, with the provider seeking additional funding for cost pressures. Negotiations are ongoing.
- 2.8.43 Marketing and Communications is showing a minor overspend of £0.021m, this is after the use of reserves totalling £0.100m.
- 2.8.44 The Business Intelligence Service, having transferred from Corporate and Commercial Services is showing an overspend of £0.072m relating to additional software costs of £0.077m and an income pressure of £0.031m, offset in part by vacant posts in the sum of £0.36m.

Delivery of the 2018/19 Budget Reductions

- 2.8.45 The Budget Reductions for the Reform Portfolio in 2018/19 are £0.765m, increased by the inclusion of two options totalling £0.085m relating to the Business Intelligence function. The budget reduction proposal requiring a £0.050m reduction in Public Health funding for Business Intelligence has been reviewed and indications are that this will not be delivered in full in 2018/19 but will be addressed for 2019/20

Capital, Treasury and Corporate Accounting

- 2.8.46 The forecast outturn at Quarter 3 is an under spend of £5.030m. This budget includes the income and expenditure from the Council's investments and borrowing as well as capital financing costs.

Table 9 – Capital, Treasury and Corporate Accounting – Forecast Outturn

	Revised Budget £000	Forecast £000	Use of Reserves £000	Variance £000
Capital, Treasury and Corporate Accounting	(18,776)	(23,806)	-	(5,030)
Total Forecast Net Expenditure	(18,776)	(23,806)	-	(5,030)

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- 2.8.47 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-ring-fenced grants which have been held centrally and so underpin the budget.
- 2.8.48 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 Quarter 3, the forecast adverse variance with regard to this scheme is £0.495m. The position will be closely monitored for 2019/20.

Schools

- 2.8.49 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 ring-fenced 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.
- 2.8.50 Members will recall the DSG is made up of 4 blocks
- Schools
 - High Needs
 - Early Years
 - Central Schools Services
- 2.8.51 Despite the support from the Schools block in 2018/19, as reported at Month 8, the High Needs Block in Oldham is still expected to have an in-year deficit of £0.932m; reduced due to additional Government funding of £0.622m for High Needs and other small savings for Business Rates and Early Years. It is therefore anticipated that there will be cumulative High Needs Block deficit of £8.907m at 31 March 2019. This is then offset by cumulative virements and savings from the Schools and Early Years blocks to leave a net deficit of £2.987m. The High Needs Block therefore represents a significant element (75%) of the overall deficit on the DSG.

Table 11 – DSG- High Needs Block

	£000
Original Budget Allocation	30,925
Budget Changes	(118)
Schools Block Contribution (Schools Forum/Secretary of State approval)	1,878
New Resources- announced December 2018	622
2018/19 Total Budget Available	33,307
Estimated Expenditure	(34,239)
Projected in Year Deficit	(932)
Deficit Brought Forward 01/04/2018	(7,975)
Cumulative Deficit	(8,907)
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
Projected Deficit 31/03/2019	(2,987)

Overall DSG Position

2.8.52 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 new funding for High Needs 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. As reported at Month 8, Oldham is due to receive £0.662m in each of 2018/19 and 2019/20; being the Councils share of £250m of new funding, payable over 2 years to support the High Needs Block to address the national pressure on High Needs spending. 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)
Cumulative Deficit 2017/18 as above	(3,031)
Other Changes including pressures in High Needs Funding	(1,556)
Initial Projected Cumulative Deficit 2018/19	(4,587)
New Resources- announced December 2018	622
Projected Cumulative Deficit 2018/19	(3,965)

2.8.53 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 a further Schools Forum meeting, with an externally facilitated workshop, was held on 13 March 2019.

Housing Revenue Account (HRA)

- 2.8.54 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 the rephasing of 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 12 - Housing Revenue Account Forecast Position

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

Collection Fund

- 2.8.55 The tables below show the forecast outturn position for the Collection Fund and the share of balances of the forecast position.

Table 13 - 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	(905)	(80)	(985)
Balance Carried Forward	(2,881)	(61)	(2,942)

Table 14 - Collection Fund – Share of Forecast Position

Collection Fund Share	Council Tax £000	Business Rates £000	Total £000
Share - Oldham Council	(2,495)	(60)	(2,555)
Share - Greater Manchester Combined Authority (Police and Crime Commissioner)	(277)	-	(277)
Share - Greater Manchester Combined Authority (Fire and Rescue Services)	(109)	(1)	(110)
Total (Surplus) / Deficit	(2,881)	(61)	(2,942)

- 2.8.56 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 £0.985m means that the projected year-end Collection Fund position (incorporating both Council Tax and Business Rates) is a projected surplus of £2.942m of which the share for the Council is a favourable £2.555m.

2.8.57 The forecast year-end position is different than that estimated at Month 8, at which point a surplus position of £2.612m was forecast (with a Council share of £2.269m). 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. As the Collection Fund surplus for 2019/20 has already been formally agreed at £2.612m, the additional resources identified in this report will be available to support the 2020/21 budget.

2.8.58 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.

3 Use of Earmarked Reserves

3.1 The total planned use of ear marked reserves at Quarter 3 is £6.816m. 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, £14.080m in total. Appendix 1 shows the transfers from ear marked reserves between Month 8 and Quarter 3 at £0.373m. As the Council is no longer required to use £5.9m of reserves in 2018/19 as a contribution to the S75 pooled budget, reserves at the year end will be higher than previously anticipated and the financial resilience of the Council will be improved.

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 total use of reserves in year may increase to £15.964m but be offset at the year-end leaving a net movement of £11.265m. It is however 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 within People and Place has been a cause for concern throughout 2018/19. Action has however been taken where possible 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 has also taken place. As reported to Members this has been particularly focussed within Children's Social Care. There is, however, 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 the approved budget for 2019/20 and future year's estimates as appropriate.

Appendix 1

Month 8 to Quarter 3 - Planned Transfers from Earmarked Reserves

Reserve Name	Opening Balance 1 December 2018 £000	Use of Contribution from/to Earmarked Reserves month 8 to Quarter 3 £000	Expected Closing Balance 31 March 2019 £000	Reason for Use of Reserve
Green Dividend	(67)	38	(29)	To fund additional staff to support the Green Dividend scheme.
People and Place	(67)	38	(29)	
Social Care Budget Reserve	(797)	23	(774)	To support Sports Development
Thriving Communities	(251)	180	(71)	To support Thriving Communities and Place Based Integration
Reform	(251)	180	(71)	
Social Care Budget Reserve	(774)	155	(619)	To fund the development of the Mosaic system
Health and Adult Social Care Community Services	(774)	155	(619)	
Total New Use of Reserves		373		

Month 8 to Quarter 3 - Planned Transfers to Earmarked Reserves

Reserve Name	Opening Balance 1 December 2018 £000	Use of Contribution from/to Earmarked Reserves month 8 to Quarter 3 £000	Expected Closing Balance 31 March 2019 £000	Reason for Contribution to Reserve
Fiscal Mitigation Reserve	(6,825)	(5,900)	(12,725)	Reduction back to originally agreed levels of the Councils contribution to the S75 Agreement
Total Contribution to Reserves	(6,825)	(5,900)	(12,725)	

Financing of the Budget at Quarter 3

	£'000	£'000
Net Expenditure Budget		(221,857)
Financed by:		
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 Grant	(208)	
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)	
Brexit Preparation Grant	(105)	
Homelessness Support Grant	(116)	
Homelessness Reduction - New Burdens Grant	(48)	
Lead Local Flood Authority Grant	(11)	
Extended Rights to Free Travel Grant	(32)	
Personal Advisor Support for Care Leavers Grant	(11)	
SEND Regional Co-ordinator Grant	(24)	
Property Searches New Burdens Grant	(24)	
Transition to Universal Credit Housing Grant	(23)	
Self-employed Review Grant	(20)	
Staying Put Grant	(62)	
KS2 Moderation & KS1 Phonics Grant	(13)	
Capital Grants	(935)	
Total Government Grant Funding		(75,201)
Council Tax Income - General	(82,386)	
Council Tax Income - Adult Social Care Precept	(4,831)	
Retained Business Rates	(51,352)	
Total Locally Generated Income		(138,569)
Total Grant and Income		(213,770)
Balance to be addressed by Use of Reserves		(8,192)
Total Financing		(221,962)