

Report to Cabinet

Revenue Monitor and Capital Investment Programme 2019/20

Month 8 – November 2019

Portfolio Holder: Councillor Abdul Jabbar MBE, Deputy Leader and Cabinet Member for Finance & Corporate Services

Officer Contact: Anne Ryans, Director of Finance

Report Author: Anne Ryans, Director of Finance
Ext. 4902

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Reason for Decision

The report provides Cabinet with an update on the Council's 2019/20 forecast revenue budget position at Annex 1 and the financial position of the capital programme as at 30 November 2019 (month 8) together with the revised capital programme 2019/24, as outlined in section two of the report at Annex 2.

Executive Summary

Revenue Position

The current forecast outturn position for 2019/20 is a projected deficit variance of £1.367m compared to £1.625m at quarter 2, this is after allowing for approved and pending transfers to and from reserves.

The most significant areas of concern are the People and Place, Children's Services and Community Services & Adult Social Care portfolios. Action is being taken and will continue for the remainder of the financial year to address variances and take mitigating action as detailed in the report.

The overall corporate position is, to a limited extent being managed by offsetting favourable variances, most noticeably from Capital, Treasury and Corporate Accounting budgets. An update on the major issues driving the projections are detailed within Annex 1, paragraphs 2.13.1 to 2.13.53.

Management action has been initiated across all service areas to review and challenge planned expenditure and to maximise income. Progress is being made and this is demonstrated in the position being reported at month 8. Clearly further work needs to be done, if as anticipated, the outturn is to move to a balanced position by the end of the financial year.

Information on the month 8 position of the Dedicated Schools Grant (DSG), Housing Revenue Account (HRA) and Collection Fund is also outlined in the report. There are currently no significant issues of concern in relation to the HRA, however the Collection Fund, whilst forecasting an in-year deficit of £0.127m, remains in a cumulative surplus position. The DSG, continues to be an area which is facing a financial challenge with a projected deficit increase in 2019/20. Action is being taken with the aim of reducing the cumulative deficit and bringing the DSG towards a balanced position. Section 2.13.63 gives a further update on the funding that was announced earlier in the financial year.

Capital Position

The report outlines the most up to date capital spending position for 2019/20 for approved schemes. The revised capital programme forecast spend for 2019/20 is £63.945m at the close of month 8, a net decrease of £20.387m from the original budget of £84.332m. Actual expenditure to 30 November 2019 was £33.013m (51.63% of the forecast outturn). The report also updates the forecast Capital Programme over the period 2019/20 to 2023/24.

It is probable that the forecast position will continue to change before the year end with additional re-profiling into future years.

The Month 8 Revenue Monitor and the Capital Investment Programme 2019/20 report was presented to the Overview and Scrutiny Performance and Value for Money Select Committee on 23 January 2020 to accompany the suite of 2020/21 budget reports. The Select Committee was content to note the report and commend it to Cabinet for approval.

Recommendations

That Cabinet approves the:

1. Forecast revenue outturn for 2019/20 at month 8 being a £1.367m overspend
2. Forecast positions for both the HRA and Collection Fund
3. Use of reserves as detailed in Appendix 1 to Annex 1
4. Revised capital programme for 2019/2024 as at month 8.

Revenue Monitor and Capital Investment Programme 2019/20 Month 8– November 2019**1 Background**

- 1.1 The Authority's 2019/20 revenue budget and capital programme was approved by Council on 27 February 2019. Under established budget procedures, all services are required to monitor and review their approved revenue and capital budgets during the financial year. This is reported to Cabinet on a quarterly basis with this additional report at month 8 which is used to inform the budget setting process for the following financial year.
- 1.2 As part of the budget monitoring process, the forecast year-end position for revenue and capital has been prepared by all services. The forecast is based on a comparison of profiled budgets to the actual position as at 30 November 2019 together with commitments and known issues. As the year progresses the outturn projections reflect the evolving position of management actions put in place to mitigate in-year pressures, new developments and changes in the profile of planned expenditure.

2. Current position

- 2.1 The forecast revenue outturn for 2019/20 is an adverse variance of £1.367m (£1.625m at month 6). Further details of the current revenue budget position and a full description of this forecast can be found in Annex 1.
- 2.2 As a result of the management action that has been initiated across all service areas to review and challenge planned expenditure and to maximise income it is clearly evident that the financial position has improved as the year has progressed. That said, the fact that a projected adverse variance remains is of obvious concern and more still needs to be done throughout the organisation to move towards achieving a balanced outturn with the minimum use of reserves.
- 2.3 The effectiveness of this action will be closely monitored by Directorate Management Teams with regular progress updates being provided to Portfolio holders. A further reduction in the over spend is anticipated and should be evidenced in the month 9 report that will be presented to Cabinet in March. The current expectation is that there will, at the very least, be a balanced position by the end of the year. In addition, as outlined in the Budget Report for 2019/20, the Council has prudently set aside a number of specific reserves to support the pressures that might be experienced during the year. These can be applied if required later in the financial year.
- 2.4 The original approved capital programme for 2019/20 totalled £84.332m. The revised capital programme as at month 8 taking account of approved carry forwards, approved new schemes and variations and proposed variations/ re-phasing gives projected revised expenditure of £63.945m. Actual expenditure at month 8 was £33.013m (51.63% of the forecast outturn). Further details of expenditure and schemes within the capital programme can be found in Annex 2.

3 Options/Alternatives

- 3.1 The options that Cabinet might consider in relation to this report are;
- a) to agree the forecast revenue and capital positions presented in the report including proposed changes
 - b) to agree some of the forecasts and changes included in the report
 - c) not to agree any of the forecasts and changes included in the report

4 Preferred Option

- 4.1 The preferred option is that Cabinet approves option 3.1 (a) above; being all of the forecast revenue and capital positions presented in the report and Annexes 1 and 2.

5 Consultation

- 5.1 Consultation has taken place with the services within the Council, the Director of Finance and the Overview and Scrutiny Performance and Value for Money Select Committee at its meeting on 23 January, where the Select Committee noted the report and commended it to Cabinet for approval.

6 Financial Implications

- 6.1 The full financial implications are detailed in the report.

7 Legal Services Comments

- 7.1 There are no legal issues at this time.

8 Co-operative Agenda

- 8.1 Improving the quality and timeliness of the financial information available to citizens of Oldham supports the co-operative ethos of the Council.
- 8.2 The revenue budget and capital strategy/ programme have been prepared so that they embrace the Council's co-operative agenda with resources being directed towards projects that enhance the aims, objectives and co-operative ethos of the Council. Ongoing budget monitoring is key to ensuring this objective is met.

9 Human Resources Comments

- 9.1 There are no Human Resource implications.

10 Risk Assessments

- 10.1 The risk is that the proposed management actions are not achieved in full. Should this be the case then alternatives will be sought.

11 IT Implications

- 11.1 There are no IT implications.

12 Property Implications

12.1 There are no Property implications.

13 Procurement Implications

13.1 There are no Procurement implications.

14 Environmental and Health & Safety Implications

14.1 There are no Environmental and Health and Safety implications.

15 Equality, Community Cohesion and Crime Implications

15.1 There are no Equality, Community Cohesion and Crime implications.

16 Equality Impact Assessment Completed

16.1 Not Applicable.

17 Key Decision

17.1 Yes

18 Key Decision Reference

18.1 FCS - 16 - 19

19 Background Papers

19.1 The following is a list of background papers on which this report is based in accordance with the requirements of Section 100(1) of the Local Government Act 1972. It does not include documents which would disclose exempt or confidential information as defined by the Act:

File Ref: Revenue Background Papers are contained in Annex 1 including Appendices 1 and 2

Officer Name: Andy Cooper

Contact No: 0161 770 4925

File Ref: Capital Background Papers are contained in Annex 2 including Appendices A to G

Officer Name: Lee Walsh

Contact No: 0161 770 6608

20 Appendices

Annex 1 Revenue Budget Monitoring Report 2019/20 Month 8 - November 2019

Appendix 1 Month 8- Planned Transfers to/ from Reserves

Appendix 2 Financing of the 2019/20 Budget at Month 8

**Annex 2 Capital Investment Programme Report 2019/20 Month 8 -
November 2019**

- Appendix A - SUMMARY – Month 8 - Corporate Services
- Appendix B - SUMMARY – Month 8 - Children's Services
- Appendix C - SUMMARY – Month 8 - Community Services & Adult Social Care
- Appendix D - SUMMARY – Month 8 - Housing Revenue Account (HRA)
- Appendix E - SUMMARY – Month 8 - People and Place
- Appendix F - SUMMARY – Month 8 - Reform
- Appendix G - SUMMARY – Month 8 - Proposed Variations