

## ANNEX 1

# REVENUE BUDGET MONITORING REPORT 2019/20

## Month 8 - November 2019

### 1 Background

- 1.1 The Authority's 2019/20 revenue budget was approved by Council on 27 February 2019 at a sum of £224.112m incorporating;
- £7.829m of budget reductions
  - £8.818m use of corporate and specific reserves
  - £3.000m of capital receipts to support spending on transformational projects
  - £2.269m surplus from the Collection Fund
- 1.2 Under established budget procedures all services are required to monitor and review their approved budgets during the financial year, as part of this 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 £228.412m represents a £4.300m increase in the originally approved budget and a £1.405m increase from the £227.007m reported at quarter 2, as a result of receiving a number of additional, un-ringfenced grants as shown in the table below. A full funding analysis of net revenue expenditure is shown at Appendix 2.

**Table 1 – Changes to Funding**

<b>Additional Government Grants</b>	<b>M06 £000</b>	<b>M07/ M08 £000</b>	<b>Total £000</b>
Extended Rights to Free Travel	36		36
Staying Put Grant	63		63
Extended Personal Advisor Duty Implementation Grant	21		21
Verify Pensions Earnings Service	39		39
Retail Discounts New Burdens	9		9
Brexit Preparation Funding Grant	105	105	210
School Improvement Monitoring & Brokerage Grant		150	150
GMCA Mayoral Grant adjustment		(571)	(571)
DCLG Future High Streets Fund		150	150
Opportunity Area Grant		1,000	1,000
Dept. of Health and Social Care Grants		211	211
Capital Grants	2,622	360	2,982
<b>Total Additional Government Grants</b>	<b>2,895</b>	<b>1,405</b>	<b>4,300</b>

- 2.2 The information in the report has been reconfigured to align to the new Corporate Structure that was implemented from 22 May 2019. This makes it difficult to make direct comparisons with 2018/19 at a Portfolio level. The budget and forecast outturn are presented in this new format in the table below.

**Table 2 - Summary Forecast Revenue Outturn**

Portfolio	Budget £000	Forecast £000	In Year Use of Reserves £000	Variance Month 8 £000	Variance Month 6 £000	Variance M08 to M06 £000
People and Place	62,758	66,295	(1,470)	2,067	2,212	(145)
Community Services and Adult Social Care	60,002	61,819	(781)	1,036	1,020	17
Children's Services	50,677	52,986	(1,122)	1,187	1,367	(180)
Reform	32,263	33,624	(1,434)	(73)	(81)	9
Commissioning	9,923	11,793	(1,719)	151	128	23
Chief Executive	7,645	7,408	(15)	(252)	(271)	18
Capital, Treasury and Corporate Accounting	5,143	2,394	-	(2,749)	(2,749)	0
<b>NET EXPENDITURE</b>	<b>228,412</b>	<b>236,319</b>	<b>(6,540)</b>	<b>1,367</b>	<b>1,625</b>	<b>(258)</b>
<b>FINANCED BY:</b>	<b>(228,412)</b>	<b>(228,412)</b>		-		
<b>NET FORECAST VARIANCE</b>	<b>-</b>	<b>7,907</b>	<b>(6,540)</b>	<b>1,367</b>	<b>1,625</b>	<b>(258)</b>

- 2.3 The forecast outturn to the end of the year, after a predicted in-year use of reserves totalling £6.540m (£5.820m at quarter 2), is an adverse variance of £1.367m (£1.625m at quarter 2). A detailed list of the approved and planned use of reserves at month 8 can be found at Appendix 1. There are significant variances contained within the projected net overspend as summarised below.
- 2.4 The People and Place Portfolio has a reported pressure of £2.067m. Economic Development is reporting an overspend of £1.765m (£1.728m at quarter 2) across Catering and Cleaning, Estates and Planning and Infrastructure. The small adverse variance in Enterprise and Skills remains unchanged at £0.097m. There is a further, unchanged, adverse variance of £0.525m in Commercial Services where the projected non achievement of the Traded Services budget option (£0.750m) is offset by savings within ICT and Customer Services (£0.225m). The pressures are offset by a forecast underspend of £0.320m (£0.138m underspend at quarter 2) in Environmental Services.
- 2.5 Community Services and Adult Social Care is reporting an adverse position of £1.036m (£1.020m at quarter 2), predominantly linked to the rising cost and demand for Community Care, offset by increases in both grant funding and income recovery from a variety of sources.
- 2.6 The pressure of £1.187m within Children's Services represents a decrease of £0.180m on the £1.367m forecast overspend reported at quarter 2. Education and Early Years is predicting a £1.455m overspend after the application of £0.543m of reserves (£1.246m at quarter 2), conversely Children's Social Care is now reporting a £0.268m underspend after the application of £0.469m of reserves, overturning the pressure of £0.120m reported at quarter 2.
- 2.7 The Commissioning portfolio is reporting an overall adverse variance of £0.151m (£0.128m reported at quarter 2). A projected pressure of £0.260m in Commissioning and Procurement is being offset by a favourable variance of £0.109m in Finance.
- 2.8 The adverse position is offset by favourable variances in Chief Executive of £0.252m (£0.271m at quarter 2), Reform £0.073m (£0.081m at quarter 2) and most significantly Capital Treasury and Corporate Accounting £2.749m (unchanged from quarter 2). A more detailed analysis of financial performance and the major variances can be found by Portfolio in the following sections.

- 2.9 All the 2019/20 budget options in the sum of £7.829m are currently forecast to be achieved with the exception of the £0.750m Traded Services option within People and Place, for which there are no other offsetting options.
- 2.10 The adverse variance of £1.625m reported at quarter 2 was a considerable improvement on the initial £3.805m reported at quarter 1, giving an indication that the Management Action requested was being initiated across all service areas to review and challenge planned expenditure and to maximise income, thus helping to bring expenditure back in to line. The position now being reported; a forecast pressure of £1.367m represents a further improvement of £0.258m with four months of the financial year remaining. Whilst it is evident that the position continues to improve, more still needs to be done throughout the organisation to move even closer towards achieving a balanced outturn with the minimum use of reserves.
- 2.11 Notwithstanding the progress made to date, the effectiveness of management actions will continue to be closely monitored by Directorate Management Teams with regular progress updates being provided to Portfolio holders and the Senior Management Team. A further reduction in the overspend 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.
- 2.12 As outlined in the Budget Report for 2019/20, the Council has prudently set aside a number of specific reserves to support pressures that might be experienced, and which cannot be mitigated during the year. These can be applied, as a last resort, if required later in the financial year.

2.13 **Portfolio Summaries**

**People and Place**

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

**Table 3 – People and Place - Forecast Outturn**

	Revised Budget £000	Forecast £000	Use of Reserves £000	Variance £000
Economic Development	4,507	7,174	(902)	1,765
Enterprise and Skills	640	737	-	97
Environmental Services	53,088	53,147	(378)	(320)
Commercial Services	4,522	5,237	(190)	525
<b>Total Forecast Net Expenditure</b>	<b>62,758</b>	<b>66,295</b>	<b>(1,470)</b>	<b>2,067</b>

Summary

- 2.13.2 Following the re-alignment of services to the new Corporate Structure, the forecast outturn at month 8 for the People and Place portfolio, after the planned use of £1.470m of reserves, is an adverse variance of £2.067m (£2.212m at quarter 2), a reduction in the overspend of £0.145m.

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## Economic Development

- 2.13.3 Economic Development is currently forecasting an overspend of £1.765m compared to £1.728m at quarter 2. Within this the Catering and Cleaning service is forecasting an adverse variance of £0.745m (£0.719m at quarter 2) as a result of pressures arising from the introduction of the Oldham Living Wage and current charging levels. The Corporate Landlord/ Investment Estate is projecting a net overspend of £0.923m (£0.913m at quarter 2) due to a combination of increased utility costs, additional cleaning charges and an expected underachievement of income targets in the investment estate. This is being offset by anticipated income from investment purchases and cost reductions due to asset disposals. The Planning and Infrastructure service is anticipated to overspend by £0.097m due to a reduction in the expected demand for planning applications.

## Enterprise and Skills

- 2.13.4 The forecast overspend remains at £0.097m and relates to a shortfall of income within the Markets Service.

## Environmental Services

- 2.13.5 The Environmental Services area is forecasting an overall favourable position of £0.320m compared to an underspend of £0.138m at quarter 2. The position is a combination of adverse and favourable variances within the service area as follows:

### Adverse variances:

- Waste Management £0.189m
- Building Control £0.107m

### Favourable variances:

- Fleet Management £0.173m
- Environmental Management £0.031m
- Public Protection £0.060m
- Street Lighting £0.050m
- Highways Operations £0.302m

The favourable variance of £0.302m within Highways relates to over achievement of income in relation to statutory inspection works within Highways.

## Commercial Services

- 2.13.6 In total the service area is reporting an unchanged overspend of £0.525m compared to quarter 2. ICT and Customer Services are forecast to have an underspend of £0.225m due to vacant posts. This in part offsets the pressure of £0.750m within Strategic Relationship Management relating to the non-achievement of the Traded Services budget reduction.

## Achievement of Budget Reductions

- 2.13.7 The 2019/20 budget reductions for the People and Place Portfolio of £2.582m are forecast to be fully achieved with the exception of the Traded Services option (£0.750m), as referred to above.

## Community Services and Adult Social Care

- 2.13.8 The portfolio provides social care support to adults and carers across Oldham with the key aim of integrating and aligning work with health partners to achieve greater efficiency in service delivery and better outcomes for the resident or patient, in relation to both the commissioning and the provision of services.

**Table 4 – Community Services and Adult Social Care - Forecast Outturn**

	Revised Budget £000	Forecast £000	Use of Reserves £000	Variance £000
Commissioning	20,971	20,897	-	(74)
Community Business Services	1,751	1,576	-	(175)
Community Health & Social Care	27,918	28,963	-	1,045
Director Adult Social Care	(8,768)	(8,741)	(781)	(754)
Learning Disability	10,225	11,194	-	970
Mental Health	7,216	7,192	-	(25)
Safeguarding	689	738	-	49
<b>Total Forecast Net Expenditure</b>	<b>60,002</b>	<b>61,819</b>	<b>(781)</b>	<b>1,036</b>

### Summary

- 2.13.9 The forecast outturn at Month 8 is showing a projected overspend of £1.036m (£1.020m at quarter 2) after a forecast £0.781m use of reserves. Sufficient reserves to fully offset the overspend position are specifically ring fenced to the Portfolio, although they have yet to be utilised.

### Commissioning

- 2.13.10 Commissioning is forecasting an underspend of £0.074m mainly through the prudent management of staff vacancies.

### Community Business Services

- 2.13.11 Community Business Services is forecasting a £0.175m favourable position for the year. This is due to prudent vacancy management and delays in recruiting to additional care coordinator and broker posts to support the Care at Home project.

### Community Health & Social Care

- 2.13.12 Community Health and Social Care is forecasting an overspend of £1.045m with care costs for people with a physical disability and sensory, memory and cognitive needs continuing to present financial pressures. There has been a net increase in client numbers of 14 in the first 8 months of the year, indicating that both demand and complexity of need combined with an uplift in fees are the main factors that are causing significant pressures within the budget.

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## Director of Adult Social Care

- 2.13.13 Director of Adult Social Care is forecasting an underspend of £0.754m (£0.543m at quarter 2), the improvement is as previously reported a result of confirmation of an uplift in the Better Care Fund (£0.627m), offsetting a pressure of £0.084m mainly for the Council contribution towards the Deputy Managing Director health-based post. The Department of Health and Social Care recently announced a grant allocation of £0.211m for the Local Reform and Community Voices, Social Care in Prisons and War Pensions Disregard, this will be held within this service and used to offset pressures within the Community Health and Social Care service. A planned use of reserves to the value of £0.781m will require a draw-down of £0.300m to the Oldham Clinical Commissioning Group (CCG) to fund joint services, £0.166m for Mosaic data management support and £0.315m for community provider estate costs.

## Learning Disability

- 2.13.14 Learning Disability is reporting an overspend position of £0.970m which is being driven by the number of clients in complex care, particularly for the 4 clients who have returned to the Borough through the Transforming Care Programme. The cost to the Oldham health economy is £0.840m with only £0.110m of funding expected to be made available by the NHS leaving a budget shortfall of £0.730m across the Council and the Oldham Clinical Commissioning Group (CCG).

## Mental Health

- 2.13.15 Mental Health is forecasting a small underspend of £0.025m. This is a result of an upturn in Continuing Health Care income contributions from the CCG for people with joint funded packages of care.

## Safeguarding

- 2.13.16 Safeguarding remains forecasting an overspend of £0.049m due to additional short-term staffing arrangements put in place to cover vacancies, sickness and maternity leave.
- 2.13.17 Holly Bank is a new Learning Disability sheltered housing scheme. Construction has now been completed, with new residents moving in during the early months of 2020. The cost of operating the facility is expected to be offset by savings as a result of bringing people back into borough and either ceasing or reducing their current care packages and work is on-going to identify potential new residents. The current forecast assumes this requirement will be met. The position will however continue to be monitored, and if required, a pressure will be introduced when the position is made clearer.

## Achievement of Budget Reductions

- 2.13.18 The Budget Reductions for the portfolio in 2019/20 are £0.438m and are forecast to be fully achieved.

## Progress against Locality Plans

- 2.13.19 A key element of the Health and Social Care devolution agenda is the submission of a Locality Plan setting out the joint vision of the Council and the CCG for the greatest and fastest possible improvement in the health and wellbeing of the Borough's residents. 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.
- 2.13.20 The financial performance against the latest version of the 2019/20 Locality Plan, as reported to the GM Health and Social Care Partnership, is shown in the table below. However, a new version of the Locality Plan has been drafted that will take the integration work within Oldham through to 2023/24.

**Table 5 – Locality Plan**

	Revised Budget £000	Forecast £000	Variance £000
Community Health and Adult Social Care	57,134	58,170	<b>1,036</b>
Public Health	17,380	17,380	0
Children and Families	41,990	41,722	<b>(268)</b>
<b>Total</b>	<b>116,504</b>	<b>117,272</b>	<b>768</b>

- 2.13.21 Although the headings in the Locality Plan do not completely align with the Council's Directorate reporting arrangements, the reasons for the variances against budget are consistent with those reported within Community Health and Adult Social Care, Public Health and Children's Social Care.

### Children's Services

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

**Table 6 – Children's Services**

	Revised Budget £000	Forecast £000	Use of Reserves £000	Variance £000
Education, Skills & Early Years	13,194	15,192	<b>(543)</b>	<b>1,455</b>
Children's Social Care	35,657	35,858	<b>(469)</b>	<b>(268)</b>
Preventative Services	1,865	1,975	<b>(110)</b>	-
Schools	<b>(39)</b>	<b>(39)</b>	-	-
<b>Total Forecast Net Expenditure</b>	<b>50,677</b>	<b>52,986</b>	<b>(1,122)</b>	<b>1,187</b>

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## Summary

2.13.23 The Directorate has a projected overspend of £1.187m (£1.367m at quarter 2) after the planned application of £1.122m of reserves, as shown in the table above. The principal underlying reasons are detailed below.

### Education, Skills and Early Years

2.13.24 The Directorate is estimating a £1.455m overspend, an increase of £0.209m compared to the £1.246m overspend at quarter 2. This is after the planned application of £0.543m of reserves for Learning and Attainment and Special Educational Needs initiatives, the main contributing factors being;

- £0.742m against the Home to School Transport budget due to ongoing increasing demand pressures, an increase of £0.181m compared to the position reported at quarter 2;
- £0.230m as a result of underachievement of traded income within the Educational Psychology and QEST services;
- £0.096m of unachievable income relating to school insurance recharges as a result of schools converting to Academy status;
- £0.100m relating to additional staffing and agency expenditure in the SEN Assessment Service;
- £0.136m relating to additional expenditure around SEND Reform;
- £0.119m relating to holiday pay and incremental drift within the Lifelong Learning Service; and
- £0.032m relating to Get Oldham Working.

### Children's Social Care

2.13.25 This area is projecting a £0.268m underspend after the planned application of £0.469m of reserves to support transformational activity, a favourable movement of £0.388m on the £0.120m overspend reported at quarter 2. There is an underspend of £0.960m across the various types of residential placements (including Rivendell House) plus a further favourable movement of £0.042m for No Recourse to Public Funds and assistance to families' grant payments.

2.13.26 There is a projected overspend of £0.104m for the adoption service due to inter-agency fee placements. The two in-house semi-independence units remain a cause for concern with a projected overspend of £0.293m due to staffing over establishments. There is a projected over spend of £0.337m relating to services for children with disabilities due to the reduction in funding from Rochdale Council for Gemini House and the high number of direct payments. Work has been undertaken to try and address the continued increase in the number of direct payments.

2.13.27 A key issue contributing to the reduction in forecast expenditure between quarter 2 and month 8 is a slow-down in recruitment to the staffing structure, particularly in relation to the Senior Management Team; Assistant Directors, Heads of Service and Team Managers, pending a review by the newly appointed Managing Director of Children's Services and the Director of Children's Social Care. It is therefore anticipated that further structure changes will be required and that when posts have been fully recruited to (now likely to be 2020/21) the underspending will cease.



## Preventative Services

2.13.28 Preventative Services includes Early Help, Targeted Youth, Tackling Troubled Families and the Multi Agency Safeguarding Hub (MASH) and is predicting an overall balanced position for the year.

## Achievement of Budget Reductions

2.13.29 The Budget Reductions for Children's Services are solely in relation to the Portfolio's share of cross cutting efficiencies, £0.289m in total, all of which is currently forecast to be delivered.

## Reform

2.13.30 The following table shows the forecast position for the Reform portfolio after the approved and planned use of reserves. Following the Design and Assurance review the following budget realignments have been implemented:

- The Project Management Office has been re-aligned within Transformation and Reform;
- Communications and Marketing has been re-named Communications and Research; and
- Business Intelligence and Thriving Communities are now included within Strategy and Performance

**Table 7 – Reform – Forecast Outturn**

	Revised Budget £000	Forecast £000	Use of Reserves £000	Variance £000
People	2,444	2,339	(6)	(110)
Public Health & HLA	22,590	23,002	(373)	39
Youth, Leisure & Communities	5,206	5,173	-	(33)
Transformation and Reform	105	617	(511)	1
Communications and Research	826	974	(52)	95
Policy	(0)	492	(492)	0
Strategy and Performance	1,092	1,026	-	(65)
				-
<b>Total Forecast Net Expenditure</b>	<b>32,263</b>	<b>33,624</b>	<b>(1,434)</b>	<b>(73)</b>

2.13.31 The forecast outturn at month 8, presented in the re-aligned format shows an underspend of £0.073m (£0.081m at quarter 2), this is after the planned use of £1.434m reserves. The paragraphs below outline the main movements within the portfolio.

2.13.32 People Services is showing a favourable variance of £0.110m which relates to underspends on staffing costs.

2.13.33 Public Health and Heritage, Libraries and Arts (HLA) services are together showing an overspend of £0.039m at month 8. An overspend within the Music service and a pressure within Libraries in relation to a commercial letting is partially offset by underspends on staffing within the Library and Gallery services and also the PFI Contract.

2.13.34 Youth, Leisure and Communities is showing an overall underspend of £0.033m. The Service area includes a range of community-based services and includes District

Partnerships and Community Safety which are forecasting an underspend of £0.072m primarily related to salary costs and vacant post. The remainder of the services are reporting a net balanced outturn, with no significant variances either way across the range of services. Specifically, within Leisure and Youth Services a forecast overspend of £0.083m on Sports Development is being offset by a range of smaller favourable variances totalling £0.044m.

- 2.13.35 Both Transformation and Reform and Policy are showing a broadly balanced position following a realignment of the budget to reflect new working arrangements following the previously mentioned service review.
- 2.13.36 Communications and Research is showing an overspend of £0.095m. This relates to additional agency staffing costs, unachievable income and additional spend on payments to contractors.
- 2.13.37 Strategy and Performance is showing a favourable variance of £0.065m. In the main this relates to vacant posts following the recent restructure, which are offsetting pressures on income and supplies and services.

#### Achievement of Budget Reductions

- 2.13.38 The approved Budget Reductions of £0.971m are expected to be achieved in the financial year, with the £0.250m associated with the Design and Assurance review at the final stages of being delivered.

#### Commissioning

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

**Table 8 - Commissioning - Forecast Outturn**

	Revised Budget £000	Forecast £000	Use of Reserves £000	Variance £000
Commissioning and Procurement	273	533	-	<b>260</b>
Finance	9,651	11,260	(1,719)	<b>(109)</b>
<b>Total Forecast Net Expenditure</b>	<b>9,923</b>	<b>11,793</b>	<b>(1,719)</b>	<b>151</b>

#### Summary

- 2.13.40 The current forecast outturn position is an overspend of £0.151m (£0.128m at quarter 2).

#### Commissioning and Procurement

- 2.13.41 Commissioning and Procurement is reporting an adverse variance of £0.260m. The service is experiencing difficulties in recruiting to permanent posts, this is resulting in the necessity to retain interims to provide service continuity leading to an estimated £0.135m overspend. The service is also reporting a net estimated underachievement of income of £0.125m against the income budget set for the Early Payment scheme.

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## Finance

2.13.42 Finance is showing an underspend of £0.109m in the main due to vacant posts.

### Achievement of Budget Reductions

2.13.43 The 2019/20 Budget Reductions for the Commissioning portfolio of £1.375m are forecast to be fully achieved.

### Chief Executive

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

**Table 9 – Chief Executive**

	Revised Budget £000	Forecast £000	Use of Reserves £000	Variance £000
Chief Executive	2,358	2,298	-	(60)
Chief Executive Management	1,579	1,579	-	0
Legal Services	3,146	3,024	(15)	(137)
Executive Office	562	506	-	(55)
<b>Total Forecast Net Expenditure</b>	<b>7,645</b>	<b>7,408</b>	<b>(15)</b>	<b>(252)</b>

### Summary

2.13.45 The portfolio is showing an underspend of £0.252m at month 8 (£0.271m at quarter 2) after having applied £0.015m of reserves.

### Chief Executive, Legal Services & Executive Office

2.13.46 Partnership Support within Chief Executive is reporting an underspend of £0.060m at quarter 2. This relates to a reduction in GM contributions in 2019/20.

2.13.47 Legal Services is reporting an underspend of £0.137m at month 8. This is predominantly due to vacancies within Civic and Political Support and Constitutional Services.

2.13.48 The Executive Office is reporting an underspend of £0.055m relating to staffing vacancies.

### Achievement of Budget Reductions

2.13.49 The Budget Reductions for the Chief Executive Portfolio in 2019/20 are £0.135m and are forecast to be fully achieved.

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## Capital, Treasury and Corporate Accounting

2.13.50 The following table shows the forecast position, without requiring the use of any reserves.

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

	Revised Budget £000	Forecast £000	Use of Reserves £000	Variance £000
Capital, Treasury and Corporate Accounting	5,143	2,394	-	(2,749)
<b>Total Forecast Net Expenditure</b>	<b>5,143</b>	<b>2,394</b>	-	<b>(2,749)</b>

### Summary

2.13.51 The Portfolio includes the budgets associated with the Council's Treasury Management activities including interest payable on loans and interest receivable on investments. It also includes the revenue budgets associated with technical accounting entries. The projected year-end position shows a favourable variance of £2.749m unchanged from the position at quarter 2.

2.13.52 This favourable variance is mainly due to additional dividend income being received from external investments. This is partially offset by projected overspend of £0.474m with regard to the Annual Leave Purchase Scheme. This pressure is a continuation of that highlighted within 2018/19.

### Achievement of Budget Reductions

2.13.53 The 2019/20 Budget Reductions for Capital, Treasury and Corporate Accounting total £2.038m and are forecast to be fully achieved.

### Schools

2.13.54 The Council's expenditure on schools is funded primarily by grant provided by the Department for Education via the Dedicated Schools Grant (DSG). The DSG is ring-fenced and can only be applied to meet expenditure properly included in the Schools' Budget, as defined in the School and Early Years Finance (England) (No.2) Regulations 2018. 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 individual school.

2.13.55 Members will recall the DSG is made up of the following 4 blocks of funding;

- Schools
- High Needs
- Early Years
- Central Schools Services

2.13.56 Members will also recall that there is considerable pressure on the DSG, particularly the High Needs block. The pressure in the High Needs area is due to expenditure exceeding the High Needs budget available each year with key contributors being the:

- Increasing high needs population, such as special school places and resourced provision;

- Increasing number of Education Health Care plans requiring high needs top up funding within mainstream schools;
- Cost of providing local Pupil Referral Unit capacity to ensure that the Local Authority fulfils its statutory role;
- High cost of external placements.

As a consequence, the Schools Forum agreed a 1% movement, equating to £1.878m between the Schools Block and High Needs Blocks in 2018/19. A further £1.594m (0.84%) movement of funds between the Schools Block and High Needs Blocks was agreed and has been actioned for 2019/20.

2.13.57 Despite the continued support from the Schools Block, the High Needs Block in Oldham is still expected to have an in-year deficit of £3.095m, compared to £1.105m being reported at quarter 2. This contributes to a deficit forecast of £13.735m as at 31 March 2020. The deficit is offset by cumulative virements and savings from the Schools and Early Years Blocks to leave a net deficit of £5.818m (as illustrated in the table below). This in turn is a significant element of the overall deficit on the DSG.

**Table 11 – DSG - High Needs Block**

	<b>£000</b>
Original Budget Allocation	32,839
Contribution from Schools Block (Schools Forum/ Sec. of State approval)	1,594
Imports and Exports	204
<b>2019/20 Total Budget Available</b>	<b>34,637</b>
Estimated Expenditure	<b>(37,732)</b>
<b>Projected in Year Deficit</b>	<b>(3,095)</b>
Deficit Brought Forward 01/04/2019	<b>(10,640)</b>
<b>Cumulative Deficit</b>	<b>(13,735)</b>
Offset by;	
Virement from Schools Block- 2016/17 to 2018/19	4,643
Savings in Schools and Early Years Block- Cumulative to 2018/19	3,274
<b>Projected Deficit 31/03/2020</b>	<b>(5,818)</b>

### **Overall DSG Position and Recovery Plan**

2.13.58 There is a requirement that the DSG is brought back into balance and a DSG Financial Recovery Plan was submitted to the Department for Education in line with the deadline of 30 June 2019, the financial elements of which have now been updated for estimated additional pressures and additional funding as outlined below.

2.13.59 On 4 September 2019, the Chancellor of the Exchequer presented the 2019 Spending Round to Parliament, included in which was notification that Schools budgets will increase by £2.6bn in 2020/21, £4.8bn by 2021/22 and £7.1bn by 2022/23 within which 2020/21 High Needs Funding for Schools was set to increase by more than £700m.

2.13.60 Subsequently, on 11 October, The Department for Education, via the Education and Skills Funding Agency (ESFA), released provisional funding allocations for the Schools, High Needs and Central School Services for 2020 to 2021 (based on 2018 pupil numbers), the impact for Oldham is summarised in the table below. Despite a decrease in the Central Schools Block of £0.329m, there was a substantial, provisional increase in both the Schools (£8.160m) and High Needs (£5.207m) blocks.

**Table 12 - Increased Funding for Schools (provisional)**

Dedicated Schools Grant (DSG)	2019/20 £000	2020/21 £000	Difference £000
Schools Block*	189,123	197,283	8,160
High Needs Block	33,043	38,250	5,207
Central Schools Block	2,999	2,670	(329)
<b>Total</b>	<b>225,165</b>	<b>238,203</b>	<b>13,038</b>

\* Figures in both years exclude funding through the growth Factor of £1.365m

2.13.61 As there is a requirement to agree the funding formula with schools, consultation with schools and the Schools Forum was required. A budget paper, based on 2019 pupil numbers and an estimated Schools Block allocation of £202.755m, was presented to Schools Forum on 27 November 2019 seeking and receiving approval to a funding allocation methodology for schools as follows:

*A move to the 2020/21 National Funding Formula cash values in full except for the Area Cost Adjustment factor which is reduced to 1.00000, together with a reduced 0.5% transfer of DSG funding between the Schools and the High Needs Funding Blocks for 2020/21.*

2.13.62 A report seeking approval to implement the recommended funding methodology was subsequently presented to Cabinet on 16 December 2019. The report outlined the latest DSG budget position and highlighted that the projected 2019/20 deficit had increased to £5.700m due to increased High Needs spending pressures. Further pressures in the next two years are offset by the increased funding to return the DSG to an estimated surplus of £0.890m by the end of 2021/22.

2.13.63 On 19 December 2019 the ESFA confirmed the DSG allocations for 2020/21 (including the Early Years Block), based on actual pupil data for 2019. The impact for Oldham, with a comparison to the indicative allocation is summarised in table 13 below. Whilst there are increases across the board the key point to note is that the confirmed Schools Block of £201.874m is £0.881m less than the £202.755m used in the consultation modelling. However, this does not have an adverse impact on the approved model as the changes in pupil characteristics mean that less funding is directly distributed to schools and the principle remains that 99.5% of the Schools Block allocation must be passported to schools.

**Table 13 - 2020/21 Confirmed DSG**

Dedicated Schools Grant (DSG)	2020/21		
	Indicative £000	Confirmed £000	Difference £000
Schools Block*	198,648	201,874	3,226
High Needs Block (provisional)	38,250	38,591	341
Central Schools Block	2,670	2,689	19
Early Years Block (provisional)	0	18,967	18,967
<b>Total</b>	<b>239,568</b>	<b>262,121</b>	<b>22,553</b>

\* Indicative allocation updated to include funding through the Growth Factor of £1.365m

2.13.64 The impact of the revised funding allocation, together with a revised estimate of the pressures have been incorporated in a further revision to the recovery plan, as illustrated in table 14 below, showing an increased deficit of £6.033m at the end of 2019/20. This was presented to the Schools Forum on 15 January 2020. It should be noted that the recovery may be delayed due to any further revisions to provision or delays in implementing long term improvement strategies, notwithstanding which, work will continue during the remainder of 2019/20 and throughout 2020/21 to address the DSG deficit position building on the work already in train.

**Table 14 - Updated DSG Recovery Plan**

	2019/20 £000	2020/21 £000	2021/22 £000
Variance Brought Forward	(2,723)	(6,033)	(4,000)
Movements Per Original Plan	(987)	1,451	2,396
<b>Revised Forecast Variance</b>	<b>(3,710)</b>	<b>(4,582)</b>	<b>(1,604)</b>
Estimated additional pressures	(2,323)	(2,603)	(1,819)
Additional Funding	0	4,132	3,600
Reduce movement by 0.5%	0	(947)	0
<b>REVISED NET FORECAST VARIANCE</b>	<b>(6,033)</b>	<b>(4,000)</b>	<b>177</b>

### Housing Revenue Account (HRA)

2.13.65 Table 15 compares the initially approved position to the current estimated outturn. The actual opening balance for 2019/20 at £21.304m was £0.062m less than the estimate of £21.366m. The original HRA forecast was for a planned in-year decrease in balances of £1.889m, mainly to support housing related expenditure in the capital programme. The revised forecast is for an increase in balances of £0.446m, a favourable movement of £2.335m. The variance is mostly attributable to the reprofiling of capital projects along with some additional income received from insurance refunds.

**Table 15 - Housing Revenue Account Forecast Position**

HRA Income & Expenditure Account	Original Budget £000	Latest Forecast £000	Variance to Budget £000
HRA Balances Brought forward	(21,366)	(21,304)	62
(Surplus) / Deficit on HRA Services	1,889	(446)	(2,335)
<b>HRA Balances Carried Forward</b>	<b>(19,477)</b>	<b>(21,750)</b>	<b>(2,273)</b>

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## Collection Fund

2.13.66 The tables below show the forecast outturn position for the Collection Fund and the forecast position in relation to the share of balances.

**Table 16 - Collection Fund Forecast Position**

Collection Fund Balance	Council Tax £000	NDR £000	Total £000
Balance Brought Forward	(2,883)	(1,264)	(4,147)
Prior Year Surplus Released In Year	2,550	-	2,550
(Surplus)/Deficit for the Year	(77)	204	127
<b>(Surplus) Balance Carried Forward</b>	<b>(410)</b>	<b>(1,060)</b>	<b>(1,470)</b>

**Table 17 - Collection Fund – Share of Balances; Forecast Position**

	Council Tax £000	NDR £000	Total £000
Share- Oldham Council	(351)	(1,049)	(1,400)
Share- Greater Manchester Combined Authority (Police and Crime Commissioner)	(43)		(43)
Share- Greater Manchester Combined Authority (Fire and Rescue Services)	(16)	(11)	(27)
<b>Total (Surplus) / Deficit</b>	<b>(410)</b>	<b>(1,060)</b>	<b>(1,470)</b>

2.13.67 Council Tax and Business Rates are of fundamental importance with regards to funding Council services. However, these areas can be volatile and subject to a myriad of external influences. Consequently, the financial position of the Collection Fund is under constant review.

2.13.68 A forecast in-year deficit of £0.127m (excluding the in-year release of the prior year Council Tax surplus of £2.550m, of which the Council's share is £2.269m) means that the projected year-end Collection Fund position (incorporating both Council Tax and Business Rates) is a surplus of £1.470m of which the share for the Council is £1.400m, compared to £1.383m at quarter 2. It is proposed that the Council element of the Collection Fund surplus (£1.400m) is released as a contribution to support the 2020/21 revenue budget.

2.13.69 As expected, the Greater Manchester 100% Business Rates Retention Pilot has continued into 2019/20. The additional proceeds from the pilot are currently shared with GMCA who receive a maximum of 50% of the benefit in line with the original pilot agreement.

## 3 Use of Reserves

3.1 The total, in-year, planned use of reserves at month 8 is £6.540m (£5.820m at quarter 2), £5.861m being Earmarked Reserves and £0.679m being the use of Revenue Grant Reserves. This is in addition to the utilisation of £8.818m of reserves that were applied in setting the initial 2019/20 budget.

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. In a change from previous years, the reserve will be drawn down against the approval at the end of the financial year after all the relevant expenditure



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has been incurred. Members will be aware that the forecast use of reserves can change throughout the year as decisions are made and that the total reserve usage will continue to change up to the year end. In this regard, Members will also be aware that Cabinet, at its meeting of 16 December 2019, approved the use of £5.900m of Council reserves to support the Oldham healthcare economy.

#### **4 Flexible Use of Capital Receipts**

4.1 Members will recall that at the Council meeting of 27 February 2019, approval was given that up to £3.000m of capital receipts would be used to underpin the revenue budget in line with the flexibilities agreed by Secretary of State for Housing, Communities and Local Government in March 2016.

4.2 A number of schemes were identified which met the qualifying expenditure requirements as detailed within the statutory guidance issued by the Ministry of Housing, Communities and Local Government (MHCLG). To date, each scheme is forecast to achieve the required outcomes with costs anticipated to be slightly lower than projected however still within the approved £3.000m.

#### **5 Conclusion**

5.1 The current projected position, after adjustment for reserves, is an overall corporate overspend with the forecast over spending within People and Place, Community Services and Adult Social Care and the Children's Services portfolios all being a cause for concern. As outlined at paragraphs 2.10 to 2.12, management action is being taken to control 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. The Month 8 financial position shows a further improved financial forecast for 2019/20, reflecting the continued positive outcome of such activities.

5.2 In relation to demand led pressures, work, in the form of mitigations and alternative delivery solutions is on-going. There will, however, be an inevitable lead in time for these benefits to be realised. The implications arising from the 2019/20 in year position have been factored into financial planning estimates for 2020/21 and future years as appropriate.

5.3 Notwithstanding the progress made to date, the effectiveness of management actions will continue to be closely monitored by Directorate Management Teams with regular progress updates being provided to Portfolio holders and Senior Officers. 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.

APPENDIX 1

Planned Use of Reserves 2019/20 - Month 8

Reserve Name	Balance as at 01 April 2019 £000	Forecast use 2019/20 £000	Anticipated Closing Balance 31 March 2020 £000	Reason for Use of Reserve
<b>Earmarked Reserves</b>				
<b>Integrated Working Reserve</b>				
Strategic Planning and Information	(40)	16	(24)	Supports delivery of Local plan taking into account the Greater Manchester Spatial Framework, as agreed in January 2017
Better Care Fund - Scheme 3	(316)	316	0	To support pressures within the adults social care community care budgets
Public Health (Bridgewater)	(411)	241	(170)	To support the extension of the Right Start contract delivered by the Bridgewater Community Healthcare NHS Trust
<b>Transformation Reserve</b>				
Transformation	(2,971)	1,079	(1,892)	Helps to deliver various Transformation projects across the Council
Pay Review	(454)	6	(449)	To fund costs incurred with pay reviews
Resident First	(180)	180	0	To provide funding to facilitate the Digital by Design project 2019/20
Public Health	(436)	7	(429)	To offset pressures within the Public Health Service
<b>Regeneration Reserve</b>				
Town Centre Masterplan	(3,147)	500	(2,647)	Costs associated with progressing the Town Centre Vision
Alexandra Park Depot Site Project	(300)	300	0	Costs associated with the development of a new Depot at Alexandra Park
<b>Council Initiatives Reserve</b>				
Green Dividend Ambassador	(67)	24	(43)	To fund the Green Dividend Ambassador costs in 2019/20
Learning & Attainment Reserve	(737)	250	(487)	Oldham Education Skills Commission Expected Activity in year
Local Welfare Provision	(731)	100	(631)	To fund costs incurred for the Local Welfare Provision scheme 2019/20
Leadership Priorities	(300)	180	(120)	To fund revenue costs relating to the Street cleaning initiative in 2019/20
Chadderton Historical Society	(20)	20	0	Reserves to support Chadderton Historical Society
Warehouse to Wheels	(53)	53	0	To cover payments for LGV training, tests and medicals
Career Advancement Service	(81)	81	0	Career Advancement Service
Northern Roots	(555)	245	(310)	Supporting the initial costs for Northern roots
<b>Emergency and External Events Reserve</b>				
Emergency Incident, Threat or Hazard	(250)	70	(180)	Emergency repairs; Denshaw and St Paul's church
<b>Fiscal Mitigation Reserve</b>				
District Partnership Excess	0	(224)	(224)	As agreed at Annual Council on 22 May 2019, £0.224m of uncommitted funds from the District Partnership Reserve to be re-prioritised for priority Council initiatives
Business Rates	(1,753)	1,619	(134)	Payment to Greater Manchester Combined Authority with regard to their share of the 100% Business Rate Retention Pilot Scheme for 2018/19
<b>Directorate Reserve</b>				
Catering Services IT	(25)	25	0	To fund implementation of a new IT system within the catering service
Mercury Emissions	0	(78)	(78)	Resources to support works around mercury abatement equipment in future years
Highways System Replacement	(56)	16	(39)	To provide for revenue costs associated with the Tranman system
Ash die back and other related tree diseases	(50)	50	0	To fund additional costs incurred as a result of an increase in the number of trees across the borough with tree related diseases
Highways / Environmental Services	(283)	43	(240)	Annual payments to CAMEO to support the upgrade of cremators with mercury abatement equipment
Adult Social Care Reserve	(781)	465	(316)	To support pressures within the adults community care budgets and contractual obligations re pay awards within Mocaré
Registrars Reserve	(15)	15	0	To create a storage room for data sensitive registration records in the cellar at Chadderton Town Hall
Legal Fees re CWD Team	(8)	8	0	Complaints for independent investigations
<b>Lifecycle Costs</b>				
Fleet Replacement Programme	(1,110)	30	(1,080)	To support future years vehicle maintenance in line with the Fleet Replacement programme
<b>District Partnership Reserve</b>				
District Partnership carry forwards	(733)	224	(509)	Reserve to be re-prioritised for priority Council initiatives
<b>Sub Total</b>	<b>(15,863)</b>	<b>5,861</b>	<b>(10,002)</b>	
<b>Balancing Budget Reserve</b>				
Housing 21 Budget Reduction	(250)	250	0	
Corporate Reserve to balance budget	(3,890)	3,890	0	
Waste Smoothing	(157)	157	0	
Business Rates Return on Growth	(1,825)	1,825	0	
Business Rates Retention - National Levy Account 2018/19 Surplus	(978)	978	0	
Business Rates 2018/19 Pilot Scheme Gain	(1,218)	1,218	0	
Business Rates Retention Pilot	(500)	500	0	
<b>Sub Total Balancing Budget Reserve</b>	<b>(8,818)</b>	<b>8,818</b>	<b>0</b>	
<b>Total Planned use of Earmarked Reserves 2019/20</b>	<b>(24,681)</b>	<b>14,679</b>	<b>(10,002)</b>	
<b>Revenue Grant Reserves</b>				
High Needs Strategic Planning	(11)	11	0	To support various SEND Activities throughout 2019/20
SEND Reform / Implementation	(147)	147	0	To support various SEND Activities throughout 2019/20
Pocket Park Funding	(10)	10	0	To fund works at Lees Street in Shaw
High Street Clean Up Fund	(32)	32	0	To fund clean up activities within communities in Oldham
GMCA Targeted - Children's Review	(500)	138	(363)	To support implementation costs of the GM Stockport family model
Tackling Troubled Families	(1,407)	130	(1,277)	Early help support towards delivery; tackling troubled families
Children's Social Care - National Assessment and Accreditation System	(118)	25	(93)	Implementation of the national assessment and accreditation system
Well North Growing Oldham Feeding Ambition funding	(438)	185	(253)	Supporting various feeding projects around the community in Oldham
<b>Total Planned use of Revenue Grant Reserves 2019/20</b>	<b>(2,664)</b>	<b>679</b>	<b>(1,985)</b>	

## Appendix 2

### FINANCING OF THE 2019/20 BUDGET AT MONTH 8

	£'000	£'000
<b>Net Expenditure Budget</b>		<b>(228,412)</b>
<b>Financed by:</b>		
Business Rates Top-up Grant	(40,653)	
Grants in Lieu of Business Rates	(10,503)	
Improved Better Care Fund Grant - Tranche 1	(8,150)	
Improved Better Care Fund Grant – Tranche 2	(1,586)	
Independent Living Fund Grant	(2,580)	
Adult Social Care Support Grant	(1,917)	
Winter Resilience Grant	(1,122)	
Housing Benefit & Council Tax Administration Grant	(1,121)	
New Homes Bonus Grant	(961)	
School Improvement Monitoring & Brokerage Grant	(254)	
GMCA Mayoral Grant	(122)	
DWP - Implementation of Universal Credit Grant	(68)	
DWP - New Burdens Grant	(104)	
Homelessness Support Grant	(194)	
Homelessness New Burdens Grant	(62)	
Lead Local Flood Authority Grant	(12)	
Extended Rights to Free Travel Grant	(36)	
Staying Put Grant	(63)	
Extended Personal Advisor Duty Implementation Grant	(21)	
Verify Pensions Earnings Service	(39)	
Retail Discounts New Burdens Grant	(9)	
Brexit Preparation Funding Grant	(210)	
DCLG Future High Streets Fund	(150)	
Opportunity Area Grant	(1,000)	
LASSAL and War Pensions Disregard Grant	(211)	
Capital Grants	(2,983)	
<b>Total Government Grant Funding</b>		<b>(74,131)</b>
Council Tax Income - General	(85,677)	
Council Tax Income - Adult Social Care Precept	(6,691)	
Collection Fund Surplus	(2,269)	
Retained Business Rates	(50,826)	
<b>Total Locally Generated Income</b>		<b>(145,463)</b>
<b>Total Grant and Income</b>		<b>(219,594)</b>
Balance to be addressed by Use of Reserves		(8,818)
<b>Total Financing</b>		<b>(228,412)</b>

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