

Report to Cabinet

Revenue Monitor and Capital Investment Programme 2020/21 Quarter 1 – June 2020

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

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Reason for Decision

The report provides Cabinet with an update on the Council's 2020/21 forecast revenue budget position at Annex 1 and the financial position of the capital programme as at 30 June 2020 (Quarter 1) together with the revised capital programme 2020/25, as outlined in section two of the report at Annex 2.

Executive Summary

Revenue Position

The current forecast outturn position for 2020/21 is a projected deficit variance of £21.299m after allowing for approved and pending transfers to and from reserves.

The position also includes additional costs and pressures that have been identified by the Authority in this financial year as a direct result of the Government's lockdown arrangements to mitigate the spread of COVID-19 commencing on 23 March 2020. The additional pressures include forecasts of both income shortfalls and additional expenditure that have impacted on the Authority's budgets as a result of the pandemic.

The pandemic has affected nearly all aspects of Council service delivery; however, the most significant areas of concern are the People and Place, Children's Services and Community Health & 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 partly being offset by the application of the £16.638m unringfenced Government COVID related grant funding received to date. In Appendix 1 to the report, the full Government grant is presented as a single sum so that it highlights the level of variation across all Council budgets, given that there is insufficient resource to offset the adverse variance. However, this summary report presents the position after applying the Government grant across Portfolio areas. As further General Fund grant is expected in respect of lost income for sales, fees and charges, both the overall financial position and the application of Government grant will therefore change during the course of the financial year. An update on the major issues driving the projections are detailed within Annex 1, Section 2.

As this financial monitoring report reflects the financial position at Quarter 1, it can be regarded as an early warning of the potential year end position if no action is taken to reduce net expenditure where possible. However, management action has been initiated across all service areas to review and challenge planned expenditure and to maximise income. Although, the effect of this action has yet to take full effect, it is anticipated that by the year end, the outturn position deficit should be reduced and this should start to be demonstrated in the monthly update reports which will be presented to Cabinet.

Information on the Quarter 1 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, is forecasting an in-year deficit of £5.315m directly as a result of COVID-19. This will have a budgetary impact in 2021/22. The DSG continues to be an area which is facing a financial challenge with a projected deficit increase in 2020/21. Action is being taken with the aim of reducing the cumulative deficit and bringing the DSG towards a balanced position.

Capital Position

The report outlines the most up to date capital spending position for 2020/25 for approved schemes. The revised capital programme budget for 2020/21 is £143.711m at the close of Quarter 1, a net decrease of £3.921m from the original budget of £147.632m. Actual expenditure to 30 June 2020 was £18.214m (12.67% of the forecast outturn).

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

Recommendations

That Cabinet approves the:

1. Forecast revenue outturn for 2020/21 at Quarter 1 being a £21.299m adverse variance having regard to the action being taken to manage expenditure
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 2020/2024 as at Quarter 1.

Revenue Monitor and Capital Investment Programme 2020/21 Quarter 1 – June 2020**1 Background**

- 1.1 The Authority's 2020/21 revenue budget and capital programme was approved by Council on 26 February 2020. Under established budget procedures, all services are required to monitor and review their approved revenue and capital budgets during the financial year. Reporting to Cabinet in the past has been on a quarterly basis, however, as a result of the impact of COVID-19 and the significant change and challenge to the financial position of the Council, financial monitoring reports will be presented to Cabinet on a monthly basis. .
- 1.2 As part of the budget monitoring process, the forecast year-end position for revenue and capital has been prepared by all services as follows:
- a) The revenue forecast is based on a comparison of profiled budgets to the actual position as at the end of Quarter 1 together with known commitments, issues and planned management actions. Due to the requirement to report to the Ministry of Housing, Communities and Local Government (MHCLG) about the financial pressures relating to COVID-19, the opportunity has been taken to update forecasts for month 3 with the most up to date information (the most recent return to the MHCLG used forecasts prepared for July).
 - b) The capital programme forecast has been based notified revisions to the approved 2020/21 position including new grant announcements and anticipating the impact of the review of the Creating a Better Place programme as outlined in a report elsewhere on the agenda.
- 1.3 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 and of course any additional support that the Government may give with regard to additional funding to address the financial challenge created as a result of the pandemic.

2. Current position

- 2.1 The forecast revenue outturn for 2020/21 is an adverse variance of £21.299m. Further details of the current revenue budget position and a full description of this forecast can be found in Annex 1. The pressures relating to COVID-19 total £33.750m, this reduces to £17.112m with the application of the £16.638m unringfenced Government COVID related grant funding received to date. The non-COVID related pressures are £4.187m primarily in Community Health and Adult Social Services (£2.252m) and Children's Services (£1.999m).
- 2.2 The total Portfolio variances are £37.937m as detailed in Annex 1 at Tables 2 and 3 including COVID (£33.750m) and non COVID (£4.187m) pressures. This is comprised of People and Place reporting an adverse variance of £7.999m (£8.121m COVID related), Community Health and Adult Social Care reporting a pressure of £8.130m (£5.878m COVID related) and Children's Services reporting an adverse variance of £7.591m (£5.592m COVID related). The Services within Reform and Commissioning are similarly reporting adverse variances of £2.643m (£2.666m COVID related) and

£0.821m (£0.741m COVID related) respectively. There is a further small adverse variance of £0.325m within Chief Executive. Capital, Treasury and Corporate Accounting is reporting a pressure of £10.428m, all of which is fully COVID related. This highlights the impact of COVID related pressures across the Council.

- 2.3 However, taking an approach to allocating the grant so far received against the costs incurred and using the information in Tables 2 and 3 of Annex 1 shows the net impact across all Portfolio areas as presented below.

Portfolio Area	Gross Costs - COVID-19 Response £000	Apportionment Grant Funding £000	COVID costs Net of Funding £000	Business as Usual £000	Total Variance £000
People and Place	8,121	(1,299)	6,822	(122)	6,700
Community Health and Adult Social Care	5,878	(5,878)	0	2,252	2,252
Children's Services	5,592	(2,704)	2,888	1,999	4,887
Communities and Reform	2,666	(1,117)	1,549	(22)	1,527
Commissioning	741	(369)	372	80	452
Chief Executive	325	(83)	242	0	242
Capital, Treasury and Corporate Accounting	10,428	(5,189)	5,239	0	5,239
Total	33,750	(16,638)	17,112	4,187	21,299

- 2.4 The projected adverse variance is of concern and as a result management action has been initiated across all service areas to review and challenge planned expenditure and to maximise income. Robust measures are required to further address and mitigate the impact of COVID-19 on all the Council services.
- 2.5 The current forecasts represent an initial 'worst case' position and in relation to COVID there is an element of estimation as there can be no certainty about the easing back of lockdown measures and the timeline for the course of the pandemic. Future reports will advise of the progress of mitigating factors and management actions to control and reduce the forecast deficit. The Government has already provided initial funding support of £16.638m which has been used to offset the overall pressure arising from the pandemic. In addition, a new scheme will reimburse Councils for lost income and allow Council Tax and Business Rates deficits to be repaid over 3 years instead of one. Details of this compensation arrangement are awaited.
- 2.6 As this financial monitoring report reflects the financial position at Quarter 1, it can be regarded as an early warning of the position if no corrective action is taken, particularly on those activities that are not related to the COVID response. It is evident that there is time for the financial position to improve and this should start to be demonstrated in the monthly reports which will be presented to Cabinet. It is also anticipated that the additional funding mentioned in para 2.5 will help to reduce the deficit on both the General Fund for main Council services and Collection Fund (Council Tax and Business Rates) once the relevant guidance and instructions have been received from Government.

2.7 The original approved capital programme for 2020/21 totalled £147.632m. The revised capital programme as at Quarter 1 taking account of approved carry forwards, approved new funding, new schemes and variations and proposed variations/ re-phasing gives projected revised expenditure of £143.711m. Actual expenditure at Quarter 1 was £18.214m (12.67% 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 the contents of this report are;
- a) to approve the forecast revenue and capital positions presented in the report including proposed changes
 - b) to approve some of the forecasts and changes included in the report
 - c) not to approve any of the forecasts and changes included in the report

4 Preferred Option

4.1 The preferred option is that Cabinet approves all forecasts and changes within this report; option (a) at 3.1.

5 Consultation

5.1 Consultation with the services within the Council and the Director of Finance.

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 and implemented.

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 FG - 15 - 20

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 1,2 and 3

Officer Name: Andy Cooper

Contact No: 0161 770 4925

File Ref: Capital Background Papers are contained in Annex 2 including Appendix A

Officer Name: Lee Walsh

Contact No: 0161 770 6608

20 Appendices

Annex 1 Revenue Budget Monitoring Report 2020/21 Quarter 1 - June 2020

Appendix 1 Quarter 1- Planned Transfers to/ from Reserves
Appendix 2 Financing of the 2020/21 Budget at Quarter 1
Appendix 3 DSG Funding Blocks

Annex 2 Capital Investment Programme Report 2020/21 Quarter 1 – June 2020

Appendix A SUMMARY – Quarter 1 - Corporate Services
Appendix B SUMMARY – Quarter 1 - Children’s Services
Appendix C SUMMARY – Quarter 1 - Communities and Reform
Appendix D SUMMARY – Quarter 1 - Community Health & Adult Social Care
Appendix E SUMMARY – Quarter 1 - Housing Revenue Account (HRA)
Appendix F SUMMARY – Quarter 1 - People and Place
Appendix G SUMMARY – Quarter 1 - Proposed Variations