

REVENUE BUDGET MONITORING REPORT 2020/21**Month 4 - July 2020****1 Background**

1.1 The Authority's 2020/21 revenue budget was approved by Council on 26 February 2020 at a sum of £233.524m incorporating:

- £3.011m of budget reductions approved within the 2020/21 Budget (and £1.776m approved within the 2019/20 Budget)
- £10.008m use of corporate and specific reserves
- £5.150m of other one off financing measures.

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 4 together with known commitments, issues and planned management actions. The forecasts include the latest estimates in relation to expenditure and lost income arising as a result of COVID-19. Members will recall that the Council is submitting monthly financial information on COVID related pressures to the Ministry for Communities, Housing and Local Government (as highlighted to Cabinet at month 3). The information in this report is an update on the Round 4 position last reported to the Ministry of Housing, Communities and Local Government (MHCLG) on 31 July 2020 which was incorporated in the Quarter 1 (month 3) monitoring report.

1.3 In considering the projections included in the MHCLG return and in this report, it is important to note that there is a degree of estimation about the impact of COVID-19. The completion of the returns and forecasting of the likely impact of the pandemic on the Council's budget is based on both actual expenditure/income loss detail but also relies on a series of assumptions, particularly about how long the effects of the pandemic are likely to last, the phasing of the impact and what the new normal will look like. The estimates are therefore expected to change throughout the financial year.

2 Current Position

2.1 The current net revenue budget of £269.286m represents an increase of £35.762m against the originally approved budget and an increase of £25.778m against the financing of £243.509m available at Quarter 1. The major increase from the previously reported position is the receipt of additional Section 31 Grant Funding of £25.072m (increased from £23.466m at month 3) for the extension of 100% business rates reliefs to retail, hospitality leisure and nursery businesses; paid to the Council in 2020/21 to offset the Collection Fund deficit created by the reliefs given to business. The grant will be paid in to the Council's General Fund in 2020/21 and will be transferred to reserves and released to reimburse the corresponding element of the Collection Fund deficit in 2021/22. Further allocations have been received in relation to Emergency Assistance for Food (£0.361m) and Adult Social Care Personal Grants (£0.206m), the balance is in relation to the treatment of Capital Grants that for accounting purposes need to be

reflected in the General Fund. A full funding analysis of the net revenue expenditure is shown at Appendix 2.

- 2.2 The current position for 2020/21 at Month 4 is an initial projected overspend £17.979m. A forecast of the year-end position has been prepared by all services, it is based on a comparison of profiled budgets to the actual position as at the end of month 4 together with known commitments, issues and planned management actions in relation to 'business as usual' and the pandemic. The table below shows the year-end forecast position against budget for each Portfolio, including the additional costs anticipated as a result of the COVID-19 pandemic.

Table 1 - Summary Forecast Revenue Outturn

Portfolio	Budget £000	Forecast £000	In Year Transfer To/ From Reserves £000	Variance Month 4 £000	Variance Quarter 1 £000
People and Place	62,003	68,336	84	6,416	7,999
Community Health and Adult Social Care	62,808	70,491	-	7,683	8,130
Children's Services	44,516	52,092	-	7,576	7,591
Communities and Reform	33,061	35,834	(339)	2,434	2,643
Commissioning	8,916	11,218	(2,047)	256	820
Chief Executive	7,606	7,430	-	(176)	325
Capital, Treasury and Corporate Accounting	16,308	26,736	-	10,428	10,428
Covid-19 Funding	8,997		(7,641)	(16,638)	(16,638)
Additional Section 31 Grant	25,072		25,072	-	
NET EXPENDITURE	269,286	272,137	15,130	17,979	21,299
FINANCED BY:	(269,286)	(269,286)	-	-	
NET FORECAST VARIANCE	-	2,849	15,130	17,979	21,299

(subject to rounding)

- 2.3 The forecast outturn to the end of the year, after a predicted and proposed (net) in-year transfer to reserves totalling £15.130m, is an adverse variance of £17.979m. A detailed list of the approved and planned use of reserves at Month 4 can be found at Appendix 1. There is an overall anticipated net transfer to reserves of £15.130m, this includes the transfer of the Section 31 Grant Funding (£25.072m) referred to earlier at section 2.1. This is offset by £7.641m of un-ringfenced COVID-19 funding received from Central Government at the end of 2019/20 which was transferred into an Earmarked Reserve at the year-end pending release to offset expenditure in 2020/21. This funding, together with the £8.997m received in year brings the total Government unringfenced COVID support to £16.638m.
- 2.4 There are significant variances contained within the projected net overspend. As previously mentioned, the position includes a forecast of all the additional pressures being incurred by the Authority as part of its on-going response to the COVID-19 pandemic, as a direct result of the Governments lockdown arrangements to mitigate the spread of COVID-19 commencing on 23 March 2020. The additional in-year pressures,

totalling £15.556m include forecasts of both income shortfalls and additional expenditure that have impacted on the Authority's budgets as a result of the pandemic and are a reduction to the sum of £17.112m submitted to MHCLG on 31 July 2020 and reported to the August Cabinet meeting.

- 2.5 Having previously announced on 2 July 2020 that further financial assistance would be available to support Authorities for lost income arising from COVID in relation to Sales, Fees and Charges (SFC), MHCLG has now provided guidance for the compensation scheme. The first claim for income lost for the period April to the end of July will be submitted to the MHCLG by the end of September and will be reflected in future reports. Therefore, no mitigation for this grant assistance has been included in the COVID related pressures within this report. Table 3 below analyses the variance between COVID-19 and 'business as usual' operational variances.

Table 2 - Analysis of Variances

Portfolio	Variance Month 4	COVID 19 Costs included in forecasts	Business as Usual
	£000	£000	£000
People and Place	6,416	6,568	(152)
Community Health and Adult Social Care	7,683	5,878	1,805
Children's Services	7,576	5,592	1,984
Communities and Reform	2,434	2,465	(31)
Commissioning	256	741	(485)
Chief Executive	(176)	522	(698)
Capital, Treasury and Corporate Accounting	10,428	10,428	(0)
COVID-19 Funding	(16,638)	(16,638)	-
Total	17,979	15,556	2,423

- 2.6 The People and Place Portfolio has a reported a pressure of £6.416m compared to £7.999m at Quarter 1, a reduction of £1.583m. There is favourable business as usual operational variance of £0.152m, a slight improvement compared to the previously reported favourable outturn of £0.122m. The major movement is a £1.553m reduction in the predicted costs relating to COVID-19; the anticipated pressure is now estimated to be £6.568m.
- 2.7 Community Health and Adult Social Care (CHASC) is reporting a reduced overspend of £7.683m, predominantly linked to the rising cost and demand for Community Care. The adverse variance includes £5.878m of COVID-19 related expenditure and is as reported at Quarter 1 and included on the round 4 MHCLG return. The movement is therefore a reduction of £0.447m in operational activities.
- 2.8 Children's Services is forecasting an adverse variance of £7.576m a slight decrease compared to the previously reported £7.592m, of which £5.592m is related to COVID-19. There are major pressures within the two main service areas: Education, Skills and Early Years; at £1.834m and Children's Social Care; at £5.659m.

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- 2.9 The Commissioning Portfolio is reporting an overall adverse variance of £0.256m, compared to £0.820m previously reported, the COVID related expenditure remains unchanged at £0.741m . The total variance comprises a projected pressure of £0.477m in Commissioning and Procurement and a favourable variance of £0.221m in Finance.
- 2.10 Communities and Reform is reporting a broadly unchanged adverse variance of £2.434m and the Chief Executive is now reporting a favourable variance of £0.176m, a swing from the £0.325m overspend recorded at Quarter 1. Capital, Treasury and Corporate Accounting is showing an unchanged adverse position of £10.428m.
- 2.11 Government funding received so far of £16.638m has helped reduce the overall deficit situation and further funding, particularly in relation to SFC is expected (section 2.5) and this will reduce the in-year deficit further. A more detailed analysis of financial performance and the major variances can be found by Portfolio in the following sections.
- 2.12 It is important to note that as a result of COVID-19 the following 2020/21 approved budget reductions are currently forecast not to be achieved
- Treasury Management (Capital and Treasury) - £1.000m
 - The Direct Payment Review (CHASC) - £0.150m
 - Property Savings and Accommodation Review (People and Place) - £0.163m (part of an approved £0.261m)
 - Service efficiencies approved in 2019/20 of £1.776m including Children's Services at £1.660m

All of the above pressures are included within the forecasts.

- 2.13 Clearly, in view of the projected adverse variance at Month 4, management action is being initiated across all service areas to review and challenge planned expenditure and to maximise income. It is important to note that the recruitment of staff to vacant posts and significant items of expenditure is already monitored via a corporate process. Such service and corporate action will continue with the aim of bringing expenditure nearer to the resources available. In addition, further measures are being implemented to ensure non-essential expenditure is avoided unless there is an exceptional business case to support it.
- 2.14 The effectiveness of management action will be closely monitored by Directorate Management Teams with regular progress updates being provided to Portfolio holders. It is therefore anticipated that by the year end, the outturn position will reflect a lower overall adverse position. As previously reported the Government on 2 July announced a further package of support to address spending pressures (£2.466m of unringfenced grant has already been received and incorporated in the projections) and recognised the impact of lost income. The mechanism to reimburse Councils for lost income has not yet been finalised. Compensation for SFC loss has been announced but not the determination of compensation for lost Council Tax and Business Rates in year as reflected in the Collection Fund. In addition to the management action, the further Government grant to compensate for income losses will further improve the financial position.
- 2.15 The current financial monitoring position whilst improved, can be regarded as a continued warning of the position if no corrective action is not vigorously pursued. It is evident that there is time for the financial position to improve and management action to

be effective. This should be demonstrated in the coming months and regular updates will be presented to cabinet on a monthly basis.

Portfolio Summaries

People and Place

- 2.16 The following table shows the forecast position after the approved and planned use of /transfer to reserves for the Portfolio.

Table 3 – People and Place - Forecast Outturn

	Revised Budget £000	Forecast £000	Use of Reserves £000	Variance £000
Customer Services	1,336	1,292	-	(44)
Economic Development	2,070	7,217	-	5,147
Enterprise and Skills	773	1,523	-	750
Environmental Services	53,705	53,583	84	(38)
ICT	4,076	4,677	-	602
Recharges to Unity	0	-	-	(0)
Strategic Relationship Management	42	42	-	-
Total Forecast Net Expenditure	62,003	68,336	84	6,416

Summary

- 2.17 The forecast outturn at Month 4 for the People and Place Portfolio, including all pressures associated with COVID-19, is an overspend of £6.416m.

Economic Development

- 2.18 Economic Development is currently forecasting a pressure of £5.147m compared to £5.957m at Quarter 1, a reduction of £0.810m. The main reason is a reduction in the predicted costs of catering due to staffing vacancies and reduced food costs offsetting lost income, leaving a reduced forecast outturn of £2.288m for the Catering and Cleaning services. There is a £1.483m pressure in the Car Parking budget also relating to loss of income as a result of COVID-19. The Corporate Landlord/Investment Estate is projecting a £1.398m pressure of which £0.951m is estimated to relate to COVID-19 impacts with the remainder relating to pre-existing issues in the area. The Strategic Housing service is projecting a pressure of £0.605m relating to additional accommodation costs as a result of COVID-19. The Planning department is projecting a minor pressure of £0.054m relating to agency staffing costs
- 2.19 There is also a requirement to progress work associated with the Greater Manchester Spatial Framework, the Local Plan and the Creating a Better Place Strategy. The 2020/21 Revenue Budget and Medium Term Financial Strategy was prepared on the basis this work would be financed from revenue reserves. The financial challenges created by COVID-19 mean it is now necessary to reduce the potential call on reserves wherever possible. The service will therefore seek to manage these costs within the existing service and directorate budget. Furthermore, the Council will consider financing

additional transformational expenditure from the 'Flexible' use of Capital Receipts in line with the strategy that was included within the 2020/21 to 2024/25 Capital Strategy.

Enterprise and Skills

- 2.20 The Town Centre area, which includes the Market Service is currently forecasting an overall loss for the financial year of £0.750m which includes an anticipated loss of some rental income due to COVID-19.

Environmental Services

- 2.21 The Environmental Services area is forecasting a £0.038m underspend. The Waste Levy payable to the Greater Manchester Combined Authority (GMCA) is currently expected to increase by £0.645m which is in excess of the budget available as a result of additional costs incurred in relation to COVID-19 due to both the cancellation of managed weekly collections at the start of the year and a general increase in the level of household waste during the lockdown. However, it is currently expected that variances in the overall GM Waste Disposal budget will be managed by the GMCA and the pressure has been removed from the Directorate forecast. Other variances include:

- Public Protection- a pressure of £0.332m which includes COVID-19 related loss of income of £0.158m
- Environmental Management - £0.235m (£0.203m relating to COVID-19)
- Waste Management - net overspend of £0.081m with additional COVID-19 impacts of £0.206m being offset by staffing vacancies
- The Highways Operations (Council) – a pressure of £0.095m of which £0.107m is lost income as a result of COVID-19.

- 2.22 The Portfolio overspends are offset with 'business as usual' underspends in the Highways Operations - Unity Service area of £0.240m (S.38/ S.278 inspection fees) and the Street Lighting service area of £0.275m.

ICT, Customer Services, and Strategic Relationship Management

- 2.23 ICT is forecasting an overspend of £0.602m, £0.700m of which is attributable to COVID. There is an emerging pressure relating to Microsoft licenses which is offset by a forecast staffing underspend arising from vacancies. Customer Services is forecasting a small favourable outturn of £0.044m and Strategic Relationship Management is predicted a balanced position.

Achievement of Budget Reductions

- 2.24 There is a £0.261m Budget Reduction in place as part of the Creating a Better Place strategy; however, given the effects of the current COVID-19 pandemic it is anticipated that £0.163m of the saving will not be fully achieved in year. The impact of this is included in the figures above.

Community Health and Adult Social Care

- 2.25 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. The following table shows the forecast position after the approved and planned use of transfer to reserves for the Portfolio.

Table 4 –Community Health and Adult Social Care- Forecast Outturn

	Revised Budget £000	Forecast £000	Use of Reserves £000	Variance £000
Commissioning	21,119	21,071	-	(48)
Community Business Services	1,688	1,555	-	(133)
Community Health & Social Care	28,888	27,838	-	(1,050)
Director Adult Social Care	(8,733)	(9,233)	-	(500)
Learning Disability	11,599	14,393	-	2,794
Mental Health	7,587	8,371	-	784
Safeguarding	660	620	-	(40)
Adult Social Care - COVID 19	-	5,877	-	5,877
Total Forecast Net Expenditure	62,808	70,491	-	7,683

Summary

2.26 The pandemic is having a significant impact on the Portfolio, with a projected budget pressure of £5.877m. This excludes costs to support hospital discharge which are being recharged to the NHS via the CCG (in accordance with NHS guidance). It is anticipated that this support will begin to step down, potentially from September 2020. The precise details have not yet been finalised but once implemented this will have an impact on the costs to be borne by the Council and the financial forecasts may therefore be subject to revision. The costs remaining with the Council are predominantly measures to support the care provider market including a premium to the uplift in care fees, support for community enablement, and investment to maintain a sustainable level of bed based occupancy. Other charges include an unachievable budget reduction, the inability to undertake planned transformational change and loss of income from client contributions and other cost recoveries. The expenditure is net of the Infection Control Grant highlighted later in the report.

2.27 The variances are broadly in line with those reported at Quarter 1, the main exception being Learning Disability which is reporting a forecast £0.389m reduction in expenditure.

Commissioning & Community Business Services

2.28 Commissioning is forecasting an underspend of £0.048m due to slippage from managed staff vacancies, likewise Community Business Services is forecasting a £0.133m underspend for the year also due to vacant posts.

Community Health & Social Care

2.29 This area is forecasting an underspend of £1.050m, the major factor is that several higher cost packages of care have become fully funded by Continuing Health Care NHS resources due to increased clinical needs.

Director of Adult Social Care

- 2.30 Director Adult Social Care is forecasting a favourable variance of £0.500m due to the anticipated uplift in the Better Care Fund allocation, consistent with previous years agreements.

Learning Disability

- 2.31 Learning Disability is forecasting an overspend of £2.794m compared to £3.183m at Quarter 1, due to costs attributable to hospital discharges and preventing hospital admissions not known earlier in the year now being recharged to the CCG. The overspend is related entirely to increases in care costs, both in terms of client numbers and to a greater extent the complexity of care and as previously reported the Transforming Care Programme continues to present considerable financial challenge.

Mental Health

- 2.32 Mental Health is forecasting an overspend of £0.784m. With the general population living longer and surviving other illnesses the number of people developing dementia is increasing and therefore attracting the dementia premium when placed in care homes. A working group has been created to optimise the purchasing of care packages, particularly the higher cost and/or out of borough placements.

Safeguarding

- 2.33 Safeguarding, after undergoing a restructure is in the final phase of appointing to newly created posts and as such do not yet reflect a fully committed establishment, subsequently projecting an underspend of £0.040m.

Achievement of Budget Reductions

- 2.34 There is one Budget Reduction for the Portfolio in 2020/21; £0.150m relating to a review of Direct Payments. As previously mentioned, this is currently forecast to be unachievable as a result of COVID-19 and the impact of this is reflected in the information presented above.

Progress against Locality Plans

- 2.35 A key element of the Health and Social Care devolution agenda is the submission of a Locality Plan setting out the joint vision of Council and Oldham Clinical Commissioning Group (CCG) 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.
- 2.36 The financial performance against the latest version of the 2020/21 Locality Plan, as reported to the GM Health and Social Care Partnership, is shown in the table below:

Table 5 – Locality Plan

	Revised Budget £000	Forecast £000	Variance £000
Community Health and Adult Social Care	61,360	69,043	7,683
Public Health	18,114	18,114	0
Children and Families	41,550	47,209	5,743
Total	121,024	134,366	13,342

2.37 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. This includes forecast overspends that are a result of additional activity due to COVID-19. At this stage this shows the gross cost before the allocation of a share of the Government grant that has been paid to compensate the Council for COVID-19.

Children's Services

2.38 The following table shows the forecast position. There is currently no 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	6,265	8,100	-	1,834
Children's Social Care	35,940	41,599	-	5,659
Preventative Services	2,350	2,433	-	83
Schools	(39)	(39)	-	(0)
Total Forecast Net Expenditure	44,516	52,092	-	7,576

Summary

2.39 The Directorate has a projected overspend of £7.576m which includes £5.592m of additional costs that are related to the impact of COVID-19. The principal underlying reasons are detailed below.

Education, Skills and Early Years

2.40 The Directorate is estimating a £1.834m overspend which includes £1.389m of costs associated with COVID-19; the main contributing factors in relation to which are as follows:

- £0.541m - Home to School Transport budget anticipated impact from September 2020 due to social distancing measures
- £0.093m - Out of Borough half term opening costs related to COVID-19

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- £0.300m - SEND additional staffing required for Social, Emotional Mental Health Needs/ home schooling and Early Years sustainability
 - £0.455m – Loss of Income; Service Level Agreement (SLA) Income to QEST service, Post16 parental fines and Get Oldham Working.

Further additional pressures in relation to ‘business as usual’ total £0.445m and include

- £0.100m as a result of underachievement of traded income within the QEST/ Educational Psychology service;
- £0.090m relating to additional expenditure in SEND Reform;
- £0.255m relating to staffing pressures across the Directorate.

Children’s Social Care

- 2.41 This area is projecting a £5.659m overspend which includes an anticipated additional cost related to COVID-19 of approximately £2.543m in the main relating to the provision of in-house residential care, placements and staffing pressures, plus a further £1.660m of unachievable savings.
- 2.42 There are other additional overspends included within the forecasts; one off pressures in relation to restructuring costs and the anticipated loss of contractual income account for £0.546m of the adverse variance.
- 2.43 There is a further forecast operational deficit of £0.910m as a result of increased costs in relation to social care placements including Out of Borough (£0.715m), staffing (£0.165m) and interpreter services (£0.030m).

Preventative Services

- 2.44 Preventative Services includes Early Help, Targeted Youth, Tackling Troubled Families and the Multi Agency Safeguarding Hub and is predicting an overspend of £0.083m, a potential pressure from expenditure which had originally planned to be financed by reserves.

Achievement of Budget Reductions

- 2.45 The Budget Reductions for Children's Services are solely in relation to the Portfolio’s target of achieving efficiencies, linked to previous allocated resources for a new operating model; £1.660m in total all of which is currently forecast to be unachievable as a result of COVID-19 and is included as part of the overall pressure above.

Communities and Reform

- 2.46 The following table shows the forecast position for the Communities and Reform Portfolio after the approved and planned use of reserves and includes additional costs for COVID-19.

Table 7 – Communities and Reform

	Revised Budget £000	Forecast £000	Use of Reserves £000	Variance £000
People	2,404	2,302	-	(102)
Public Health & HLA	23,523	24,098	(339)	237
Youth, Leisure & Communities	5,451	7,588	-	2,137
Transformation and Reform	-	118	-	118
Communications and Research	889	912	-	23
Policy	40	82	-	42
Strategy and Performance	755	734	-	(20)
Total Forecast Net Expenditure	33,061	35,834	(339)	2,434

- 2.47 The forecast outturn at Month 4 is an over spend of £2.434m compared to £2.643m at Quarter 1, a reduction of £0.209m. This is after the approved use of £0.339m reserves. COVID related pressures have reduced by £0.201m to £2.465m, in the main as a result of a reduction in the anticipated pressure on Oldham Community Leisure (OCL). The forecast favourable variance on 'Business as Usual' has increased from £0.022m to £0.031m. The paragraphs below outline the main movements within the Portfolio.
- 2.48 Public Health and Heritage, Libraries and Arts (HLA) services are together showing overspends of £0.237m at Month 4. There are income pressures for the Music Service and Theatre Workshop due to COVID-19 and reduced service provision, which is offset in part with underspends on staffing and non-pay costs.
- 2.49 Youth, Leisure and Communities is showing an overall overspend of £2.137m. There are income pressures within Outdoor Education due to COVID-19 and reduced service provision which is in part offset against vacancies within Community Safety and District Partnerships. The main pressure of £1.969m relates to the Leisure contract and the centre closures due to COVID-19.
- 2.50 Transformation and Reform is reporting an adverse variance of £0.118m being project expenditure which will be funded from wider Directorate underspends.
- 2.51 There are several low value variances, as follows:
- People Services is showing a favourable variance of £0.102m which relates to underspends on staffing costs. The service is currently undertaking a restructure which is in the implementation stages
 - Communications and Research is forecasting a minor adverse variance of £0.023m; unachievable income and additional spend on payments to contractors
 - Policy is showing an overspend of £0.042m - there are pressures on income and supplies and services offset in part with vacant posts.
 - Strategy and Performance is showing an underspend of £0.020m at Month 4.

Achievement of Budget Reductions

- 2.52 There are no approved budget reductions in this area for 2020/21.

Commissioning

2.53 The table below shows the forecast position after the approved and planned use of reserves for the Portfolio.

Table 8 - Commissioning - Forecast Outturn

	Revised Budget £000	Forecast £000	Use of Reserves £000	Variance £000
Commissioning and Procurement	283	760	-	477
Finance	8,632	10,458	(2,047)	(221)
Total Forecast Net Expenditure	8,916	11,218	(2,047)	256

Summary

2.54 The forecast outturn position at Month 4 is an overspend of £0.256m, a reduction of £0.564m compared to the £0.820m deficit forecast at Quarter 1, this is after a £2.047m use of reserves. A sum of £0.741m of the adverse variance is attributable to the pandemic.

Commissioning and Procurement

2.55 Commissioning and Procurement is reporting an unchanged overspend of £0.477m. The service is continuing to experience difficulties in recruiting to permanent posts, resulting in a more expensive temporary staffing solution (£0.240m). The service is also reporting a pressure of £0.237m against the Early Payment scheme which is in part due to Government guidance in response to COVID-19 in that suppliers move to immediate payment terms (£0.060m) and the remainder (£0.177m) relates to an existing budgetary pressure against the Early Payment Scheme income budget.

2.56 Finance is showing an underspend of £0.221m. There is a pressure due to the loss of Council Tax summons income which is offset by vacancies in the Finance division and a forecast reduction in non-pay costs.

Achievement of Budget Reductions

2.57 The 2020/21 Budget Reductions for the Commissioning Portfolio of £0.400m are forecast to be fully achieved.

Chief Executive

2.58 The table below shows the forecast position including additional cost associated with COVID-19.

Table 9 – Chief Executive

	Revised Budget £000	Forecast £000	Use of Reserves £000	Variance £000
Chief Executive	2,257	2,171	-	(87)
Chief Executive Management	1,554	1,554	-	-
Legal Services	3,211	3,122	-	(89)
Executive Office	583	583	-	-
Total Forecast Net Expenditure	7,606	7,430	-	(176)

Summary

2.59 The Portfolio is showing an underspend of £0.176m, 'business as usual' underspends totalling £0.698m are offset by estimated pressures of £0.522m due to the impact of COVID-19.

Chief Executive

2.60 Chief Executive is reporting an underspend of £0.087m at month 4. Additional mortuary costs due to Covid-19 are in part offset by a reduction in GM contributions and also a reduction in costs for the Coroners Service in 2020/21.

Legal Services

2.61 The Service is reporting an underspend of £0.089m at month 4. There are service pressures due to the impact of Covid-19 for Registrars, land charges and the recovery of court costs income (£0.243m). In addition, there are staffing pressures within Legal due to Covid-19 as external expertise has been required regarding contractual issues and to deal with the backlog of school's admissions (£0.078m). These pressures are offset by anticipated under spending within the Elections budget due to the postponement of the local election in May 2020 and a number of vacant posts together with reduced expenditure on non-pay budgets in Civic and Political Support.

Achievement of Budget Reductions

2.62 There are no Budget Reductions for the Chief Executive Portfolio in 2020/21.

Capital, Treasury and Corporate Accounting

2.63 The following table shows the forecast position, without 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	16,307	26,735	-	10,428
Total Forecast Net Expenditure	16,307	26,735	-	10,428

Summary

Capital, Treasury and Corporate Accounting

- 2.64 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. As at Month 4, the projected adverse variance is £10.428m, all of which is as a result of COVID-19.
- 2.65 The adverse variance within the Capital and Treasury service area is £10.148m and is as a result of the anticipated loss of income from approved treasury management investment activities and rental income as a result of the global pandemic.

Housing Benefits

- 2.66 The service is anticipating an overspend of £0.280m due to the temporary suspension of not recovering benefits overpayments as per Local Government Association (LGA) bulletin 6.4 as part of the Government's response to the COVID-19 outbreak.

Achievement of Budget Reductions

- 2.67 The 2020/21 Budget Reductions for Capital, Treasury and Corporate Accounting total £2.200m. Within this is £1.000m for Treasury Management which will not be achieved due to global pandemic and is included within the pressure noted above.

Ringfenced Grants

- 2.68 Members will recall that in addition to the unringfenced grants highlighted in the report, including the COVID-19 funding of £16.638m that has already been received and increase the net revenue budget of the Council, the Government has provided a range of ringfenced grants to support the response to COVID-19. Whilst these are included in the budget, the increased expenditure is offset by grant within the relevant service area. These are set out as follows:

- Hardship Fund Grant (£3.015m)
- Infection Control Fund Grant (£2.317m)
- Local Authority Test and Trace Service Support Grant (£1.560m)
- Local Authority Emergency Assistance Grant for Food and Essential Supplies (£0.361m)
- Coronavirus (COVID-19) Rough Sleepers Contingency Fund (£0.002m)

A further grant of £0.210m relating to the Reopening High Streets Safely Fund will be included in future monitoring report once the Council has finalised its Funding Agreement with Government.

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- 2.69 Members will also recall that Cabinet of 23 April was advised that the Council had been awarded grant funding of £54.783m to provide support for small businesses and those in the retail, hospitality and leisure sectors in the form of two grant funding schemes, the Small Business Grant Fund (SBGF) and the Retail, Hospitality and Leisure Grant Fund (RLHGF). The Government subsequently announced that this funding allocation would also provide Discretionary Grant support for those businesses not qualifying for the other categories of grant.
- 2.70 The funding has been ringfenced but in accordance with accounting guidance, as the Council is acting as an agent in the administration of the SBGF and RLHGF grant regimes, these payments will be netted off the grant received and are not required to be shown gross in the budget. The Local Authority Discretionary Grants Fund is required to be included in the 2020/21 revenue budget as additional external funding matched by expenditure.
- 2.71 The grant schemes closed on 28 August and all final payments must be made by 30 September 2020. A reconciliation will then be undertaken to facilitate final budget adjustments. It is important to note that the grant schemes have been administered in accordance with Government guidance and following all appropriate protocols.

Schools

- 2.72 The Council's expenditure on schools is funded primarily by grant 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 2020. 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.
- 2.73 Members will recall the DSG is made up of the following 4 blocks of funding as follows;
- Schools
 - High Needs
 - Early Years
 - Central Schools Services
- 2.74 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 has historically agreed transfers between Schools Block and High Needs Blocks in 2018/19 (1%) and 2019/20 (0.84%). A further 0.5% has been agreed for the current financial year (£1.009m).

- 2.75 The position remains unchanged from that reported at Quarter 1, namely: With the continued support from the Schools Block, the High Needs Block has a slight in year deficit of £0.002m. This contributes to a cumulative deficit forecast of £14.879m as at 31 March 2021. The deficit is offset by cumulative virements and savings from the Schools and Early Years Blocks to leave a net deficit of £4.918m (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

DSG Key Issues	£000
Original Budget Allocation including adjustment for imports/exports	39,190
Contribution from Schools Block (Schools Forum approval)	1,009
2020/21 Total Budget Available	40,199
Estimated Expenditure	(40,201)
Projected in Year Deficit	(2)
Deficit Brought Forward 01/04/2020	(14,879)
Cumulative Deficit	(14,881)
Offset by;	
- Virement from Schools Block- 2016/17 to 2019/20	6,237
- Savings in Schools and Early Years Block- 2015/16 to 2019/20	3,726
Projected Deficit 31/03/2021	(4,918)

Overall DSG Position and Recovery Plan

- 2.76 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 2019. As previously reported to Members the financial elements of the recovery plan have been continuously updated to take account of estimated additional cost pressures, formal notification of additional funding and the agreed funding methodology for 2020/21 (including the reduced 0.5% transfer of DSG funding between the Schools and the High Needs Funding Blocks for 2020/21) that was approved by Cabinet on 16 December 2019.
- 2.77 A report was presented to Schools Forum on 1 July 2020 showing the current projected deficit for 2020/21 as £5.635m. Further pressures and increased funding in 2021/22 show a forecast deficit at the end of 2021/22 of £2.464m. It should be noted that the recovery plan is predicated on a further 1% transfer in 2021/22, for which both Schools Forum and Secretary of State approval would be required under the current regulations. The revised Recovery Plan is summarised in the table below and shows a revised deficit if the 1% transfer is not sought:

Table 12 - Overall DSG Position

	2020/21 £000	2021/22 £000
Balance/ Variance Brought Forward	(4,916)	(5,635)
Movements Per Original Plan	1,048	5,081
Revised Forecast Variance	(3,868)	(554)
Estimated additional pressures	(1,767)	(5,510)
Additional Funding		3,600
Revised Net Forecast Variance	(5,635)	(2,464)
If the 1% movement is not agreed		1,894
Revised Net Forecast Variance	(5,635)	(4,358)

2.78 The new 2020 Regulations mean that there will no longer be an automatic 1% trigger for the production of a DSG deficit recovery plan, instead the DfE will focus on those Authorities requiring help through a more measured and targeted approach. As the current recovery plan has been agreed with the Schools Forum, and it is appropriate to present information in this format at this time, it is proposed that the Authority will continue to use the recovery plan arrangements as an effective means of monitoring the DSG position and returning the deficit to a surplus and will continue to liaise with the Schools Forum accordingly with a further update scheduled for 30 September 2020. The projected deficit for 2021/22 will change as a result of the announcement on 20 July of funding allocations for 2021/22. The information is being examined and future projections will reflect the revising level of funding. However, there is clearly some work to do to manage the DSG deficit over a realistic timeframe.

2.79 The Schools Forum meeting, scheduled for 30 September 2020 will receive an update on the Dedicated Schools Grant to take account of the latest funding announcements and expenditure predictions and their impact on the project deficit for 2020/21 and the Recovery Plan.

Housing Revenue Account (HRA)

2.80 The position remains as reported at Quarter 1, Table 13 compares the initially approved HRA position to the current estimated outturn. The actual closing balance for 2019/20 at £21.795m was £0.045m more than the estimate of £21.750m. The original HRA forecast was for a planned in-year decrease in balances of £3.520m, mainly to support housing related expenditure in the Capital Programme. The revised forecast is for a decrease of £3.656m, a movement of £0.136m. The variance is mostly attributable to additional anticipated expenditure on dwellings for disabled and other essential adaptations.

Table 13 - Housing Revenue Account Forecast Position

HRA Income & Expenditure Account	Original Budget £000	Latest Forecast £000	Variance to Budget £000
HRA Balances Brought forward	(21,750)	(21,795)	(45)
Deficit on HRA Services	3,520	3,656	136
HRA Balances Carried Forward	(18,230)	(8,139)	91

Collection Fund

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

Table 14 - Collection Fund Forecast Position

Collection Fund Balance	Council Tax £000	NDR £000	Total £000
Balance Brought Forward	(185)	(3,110)	(3,295)
Surplus Released In Year	410	1,060	1,470
(Surplus)/ Deficit for the Year	4,152	28,327	32,479
Additional Section 31 Grant **	0	(25,072)	(25,072)
Balance Carried Forward	4,377	1,205	5,582

**Compensatory Section 31 Grant as referred to at Section 2.1.

Table 15 - Collection Fund – Share of Balances; Forecast Position

Collection Fund Balance	Council Tax £000	NDR £000	Total £000
Share - Oldham Council	3,715	1,193	4,908
Share - Greater Manchester Combined Authority Mayoral Police and Crime Commissioner	461	-	461
Share - Greater Manchester Combined Authority Mayoral General Precept (including Fire Services)	201	12	213
Total (Surplus)/Deficit	4,377	1,205	5,582

- 2.82 Council Tax and Business Rates remain a significant source of funding for Council services. However, these areas can be volatile, particularly for the 2020/21 financial year with the impact of COVID-19, as such the financial position of the Collection Fund is under constant review. The Greater Manchester 100% Business Rates Retention Pilot has continued into 2020/21. As with previous years the additional benefit from the pilot will be shared with GMCA who receive a maximum of 50% of the benefit in line with the original pilot agreement.
- 2.83 After discounting the Business Rates loss due to the extension of 100% reliefs to retail, hospitality, leisure and nursery businesses which will be fully compensated by Government grant, there is a forecast Collection Fund in-year deficit of £7.407m. This position is after excluding the in-year release of the prior year Council Tax surplus of £0.410m, and Business Rates release of £1.060m. This means that the projected year-end Collection Fund position (incorporating both Council Tax and Business Rates) is a deficit of £5.582m of which the share for the Council is £4.908m.
- 2.84 The Secretary for State for Housing, Communities and Local Government has announced a new support package for Local Government, which includes the ability to spread collection fund deficits over three years rather than one.

2.85 The potential spreading over a period of time of the impact of elements of the rates retention scheme is something that has been used before, specifically with regard to the backdated appeals provision from 2013/14 when the scheme was first introduced. A similar approach is expected to be applied to both Council Tax and non-domestic rates and is expected to be incorporated into the regulatory process of estimating the collection fund deficits in January 2021. This will mean that 2020/21 Collection Fund deficits will still be recovered but over a longer time frame than the existing regulations require and reduce the impact on the 2021/21 budget setting process.

3 Use of Reserves

3.1 Members will recall that at the Council budget meeting of 26 February 2020, it was agreed that Earmarked Reserves of £10.008m be used to support the 2020/21 budget.

3.2 At the end of the 2019/20 financial year, funding was received from Central Government to support the Council in its response to COVID-19. This funding was at a value of £7.641m. Due to the timing of the receipt of these funds, it was deemed appropriate to hold these resources in a specific Earmarked Reserve to fund the additional expenditure to be incurred in 2020/21 in this regard. Hence this reserve is required to underpin the budget in 2020/21.

3.3 Within the Council's approved Reserves Policy for 2019/20 to 2020/21, it details the requirements for a specific Earmarked Reserve to hold any Business Rates gains that have been generated through the Business Rates Retention Pilot and that are required to be transferred to the GMCA. For 2020/21, the amount to be passported to GMCA is £2.047m. The Business Rates Retention Piloting agreement requires the Council to pay the GMCA the £2.047m in 2020/21 as approved in the month 3 monitoring report.

3.4 Included within the Quarter 1 monitor was an anticipated transfer to Earmarked Reserves of £0.084m to support the upgrading of crematorium equipment in line with approved plans and the use of £0.339m of the Growing Oldham Feeding Ambition Revenue Grant reserve used to take forward projects agreed with the grant provider, the University of Manchester (this grant will have to be returned to the provider if it is not used as intended).

3.5 As outlined at section 2.1, a further £25.072m is to be transferred to reserves. This is additional Section 31 Grant Funding paid to the Council's General Fund in 2020/21 and having been transferred to reserves will be released to reimburse the corresponding element of the Collection Fund deficit in 2021/22.

3.6 Therefore, the total planned use of reserves as at Month 4 is £10.027m (excluding the £25.072m and £0.084m transfers to reserves). When this is added to the £10.008m which underpins the 2020/21 budget, reserves of £20.035m have been already applied in this financial year. The 2019/20 accounts were closed with £79.360m of Earmarked Reserves and £7.934m of Revenue Grant Reserves. Current levels (excluding the £25.072m in relation to the Collection Fund) are £59.409m and £7.595m although there are some commitments against the reserves.

3.7 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. However, as there is a need to minimise the use of reserves

in order to support the financial resilience of the Council. Only those reserves supporting essential business will be utilised this year.

4 Flexible Use of Capital Receipts

- 4.1 Members will recall that at the Council meeting of 26 February 2020, it was approved that up to £3.750m 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 in support of the transformation programme were identified which met the qualifying expenditure requirements as detailed within the statutory guidance issued by the MHCLG. It is currently estimated that due to the pandemic and the revision of service priorities, up to £1.900m of the anticipated transformational work cannot be delivered in year in accordance with the original timescales and is reflected in the financial monitoring position reported above. There is an on-going review of the programme and there is the potential for some work to be brought back on stream and alternative projects to be undertaken thus reducing the adverse impact. The position is being closely monitored and is expected to change in future reports.

5 Conclusion

- 5.1 The current projected position, after adjustment for reserves and receipt of additional Government funding to support COVID pressures, is an overall significant corporate overspend; with the non-COVID related forecast over spending within Community Health and Adult Social Care and the Children's Services Portfolios a cause for concern. As outlined in Section 2, 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 – especially in attempting to mitigate the impact of COVID-19 on the day to day operations of the Council.
- 5.2 It is anticipated that the month on month financial monitoring reports will begin to reflect the outcome of such activities and show an improved financial forecast for 2020/21. The Director of Finance is putting in place appropriate measures to attempt to reduce the impact of the overspend which will include detailed reviews of all revenue and capital budgets.
- 5.3 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 2020/21 in year position will be factored into financial planning estimates for 2021/22 and future years as appropriate.
- 5.4 Members should note that any unaddressed in-year pressure will have to be balanced by the use of reserves. Whilst, as outlined above, the Council holds sufficient levels of reserves to cover such a gap, the utilisation of reserves will reduce the Council's financial resilience. A significant reduction in reserves will also limit the ability of the Council to support the implementation of programmes of service transformation and the setting of future years' budgets

Planned Use of Reserves 2020/21 - Month 4

Reserve Name	Balance as at 01 April 2020 £000	Forecast use/ creation of reserves 2020/21 - Qtr 1 £000	Forecast Increase of reserves 2020/21 - Mth 4 £000	Anticipated Closing Balance 31 March 2021 £000	Reason for Use of Reserve
Earmarked Reserves					
Directorate Reserves					
Mercury Emissions	0	(84)		(84)	The transfer of a contribution made by via each cremation for the purchase of new Mercury abatement equipment
Fiscal Mitigation					
COVID-19	(10,000)	7,641		(2,359)	This funding was provided by Government to support Local Authorities with additional costs incurred as part of the COVID-19 pandemic
Business Rates	(2,617)	2,047		(570)	Detailed within the Reserves Policy for 2019/20 to 2020/21 is the requirement to transfer an element of the Business Rates gains across to the GMCA as part of the Business Rates Retention pilot agreement. The amount to be transferred across in 2020/21 which relates to 2019/20 is £2.047m
Business Rates - Collection Fund Deficit Compensation			(25,072)	(25,072)	This transfer to reserves reflects the payment of additional Section 31 Grant Funding of £25.072m for the extension of 100% business rates reliefs to retail, hospitality leisure and nursery businesses. This is paid to the Council in 2020/21 to offset the Collection Fund deficit created by the reliefs given to business. The grant will be paid in to the Council's General Fund in 2020/21 and will be transferred to reserves and released to reimburse the corresponding element of the Collection Fund deficit in 2021/22
Sub Total	(12,617)	9,604	(25,072)	(28,085)	
Balancing Budget Reserve					
Corporate Reserve to balance budget	(4,182)	4,182		0	
Waste Levy Refund 2019/20	(3,113)	3,113		0	
2019/20 Business Rates Pilot Scheme Gain	(1,413)	1,413		0	
Business Rates Retention Returned Funding	(1,300)	1,300		0	
Sub Total Balancing Budget Reserve	(10,008)	10,008	0	0	
Total Planned use/creation of Earmarked Reserves 2020/21	(22,625)	19,612	(25,072)	(28,085)	
Revenue Grant Reserves					
Growing Oldham Feeding Ambition	(339)	339		0	To continue the Growing Oldham Feeding Ambition project in 2020/21
Total Planned use of Revenue Grant Reserves 2020/21	(339)	339	0	0	

NET Use/Increase of Reserves Earmarked and Grant Reserves	(22,964)	19,951	(25,072)	(28,085)	
Represented by:					
Increase to Reserves	0	(84)	(25,072)	(25,156)	
Total Use of / Change to Reserves Earmarked and Grant Reserves	(22,964)	20,035	(25,072)	(2,929)	Use of a total of £20.035m of reserves in 2020/21. Movement of £25.156m to reserves (£25.072m to address the Collection Fund shortfall in 2021/22)

Financing of the 2020/21 Budget at Month 4

APPENDIX 2

FINANCING OF THE 2020/21 BUDGET AT MONTH 4	Original Budget	Prior Months	Additions to M4	Revised Budget
	£'000	£'000	£'000	£'000
Net Expenditure Budget	(233,524)			(233,524)
Financed by:				
Business Rates Top-up Grant	(41,048)	(606)		(41,654)
Grants in Lieu of Business Rates	(11,230)	(3)	(25,072)	(36,305)
Improved Better Care Fund Grant	(10,858)			(10,858)
Independent Living Fund Grant	(2,580)			(2,580)
Adult Social Care Support Grant	(6,954)			(6,954)
Housing Benefit & Council Tax Administration Grant	(1,138)			(1,138)
New Homes Bonus Grant	(598)			(598)
Flexible Homelessness Support Grant	(194)			(194)
Homeless Reduction Grant	(164)			(164)
Rough Sleeping Initiative Grant	(37)			(37)
Lead Local Flood authority grant	(12)			(12)
Department for Works and Pensions (DWP) New Burdens	(122)			(122)
Verify earnings and Pensions service		(30)		(30)
School Improvement Monitoring & Brokerage Grant		(104)		(104)
Capital grants		(3)	(138)	(141)
Extended rights to Free Travel		(38)		(38)
Transport Grant		(9)		(9)
SEND Regional Co-ordinator		(24)		(24)
Business Grants New Burdens Funding		(170)		(170)
COVID-19 Funding (Unringfenced)		(8,997)		(8,997)
Adult Social Care Personal Grants			(206)	(206)
Emergency Assistance for Food			(361)	(361)
				0
Total Government Grant Funding	(74,935)	(9,985)	(25,778)	(110,698)
Council Tax Income - General	(88,078)			(88,078)
Council Tax Income - Adult Social Care Precept	(8,679)			(8,679)
Collection Fund Surplus	(1,400)			(1,400)
Retained Business Rates	(50,424)			(50,424)
Total Locally Generated Income	(148,581)	0	0	(148,581)
Total Grant and Income	(223,516)	(9,985)	(25,778)	(259,279)
Balance to be addressed by Use of Reserves	(10,008)			(10,008)
Total Financing	(233,524)	(9,985)	(25,778)	(269,286)