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## Appendix A

### Report to Cabinet



# Revenue Monitor and Capital Investment Programme 2020/21 Month 5 – August 2020

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

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**19 October 2020**

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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 31 August 2020 (Month 5) 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 £16.703m 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.

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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 3.

Section 4 of the report advises Cabinet of the grants that the Council has received including two new allocations; £2.276m of Round 2 Infection Control Grant from the Department of Health and Social Care and £1.580m of Opportunity Area grant from the Department for Education. The latter grant is an unfingfenced grant but there is an expectation that this is passported to Children's Services in full and the recommendation in the report reflects this position. In both instances, delegation is sought to allocate the grant to specific eligible initiatives in accordance with Government guidance.

As this financial monitoring report reflects the financial position at Month 5, it can be regarded as an indicator of the potential year end position, 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 still to take full effect, it is anticipated that by the year end, the outturn position deficit should be reduced and this is starting to be demonstrated in the monthly update reports that have and which will continue to be presented to Cabinet.

Information on the latest 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 £4.804m 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 £142.379m at the close of Month 5, a net decrease of £5.253m from the original budget of £147.632m. Actual expenditure to 31 August 2020 was £32.359m (22.73% 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 Month 5 being a £16.703m adverse variance having regard to the action being taken to manage expenditure

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2. Forecast positions for the Dedicated Schools Grant, Housing Revenue Account and Collection Fund
  3. Acceptance of the second tranche of the ringfenced Adult Social Care Infection Control Grant (£2.276m) and the delegation of the distribution of the grant, in accordance with the detailed grant conditions, to the Director of Adult Social Services (DASS) and the Cabinet Member for Health and Social Care in consultation with the Director of Finance
  4. Acceptance of the year 4 allocation of the Opportunity Area (OA) Grant from the Department for Education in the sum of £1.580m, the passporting of the grant to the budget of Children's Services and delegation of the distribution of the grant to the Director of Children's Services and the Cabinet Member for Education in consultation with the Director of Finance
  5. Use of reserves as detailed in Appendix 1 to Annex 1
  6. Revised capital programme for 2020/2024 as at Month 5 as presented in Annex 2.

**Revenue Monitor and Capital Investment Programme 2020/21 Month 5 – August 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 Month 5 together with known commitments, issues and planned management actions. The forecasts include an estimation of the costs and lost income arising as a result of the Authority's response to 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 and 4). The information in this report is an update on the Round 5 submission made to the Ministry of Housing, Communities and Local Government (MHCLG) on 4 September.
  - b) The capital programme forecast has been based on notified revisions to the approved 2020/21 position including new grant announcements and revisions to the Creating a Better Place programme as approved at Cabinet on 24 August 2020.
- 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 further 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 £16.703m. 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 £30.949m, this reduces to £14.311m with the application of the £16.638m unringfenced Government COVID related grant funding received to date. The non-COVID related pressures are £2.392m primarily in Community Health and Adult Social Services (£1.801m) and Children's Services (£2.265m).
- 2.2 The total Portfolio variances are £33.341m as detailed in Annex 1 at Tables 1 and 2 including COVID (£30.949m) and non COVID (£2.392m) pressures. This is comprised of People and Place reporting an adverse variance of £5.920m (£6.286m COVID related), Community Health and Adult Social Care reporting a pressure of

£7.219m (£5.418m COVID related) and Children's Services reporting an adverse variance of £7.270m (£5.005m COVID related). The Services within Reform and Commissioning are similarly reporting adverse variances of £2.376m (£2.502m COVID related) and £0.256m (£0.741m COVID related) respectively. There is a small favourable variance of £0.128m within Chief Executive. Capital, Treasury and Corporate Accounting is reporting a pressure of £10.428m, all of which is 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 1 and 2 of Annex 1 shows the net impact across all Portfolio areas as presented below.

Portfolio Area	Gross Costs - COVID-19 Response £000	Apportion Grant Funding £000	COVID Costs Net of Funding £000	Business as Usual £000	Total Variance £000
People and Place	6,286	(2,762)	3,524	(366)	3,158
Community Health and Adult Social Care	5,418	(5,418)	0	1,801	1,801
Children's Services	5,005	(2,200)	2,805	2,265	5,070
Communities and Reform	2,502	(1,100)	1,402	(126)	1,276
Commissioning	741	(326)	415	(485)	(70)
Chief Executive	569	(250)	319	(697)	(378)
Capital, Treasury and Corporate Accounting	10,428	(4,583)	5,845	0	5,845
<b>Total</b>	<b>30,949</b>	<b>(16,638)</b>	<b>14,311</b>	<b>2,392</b>	<b>16,703</b>

- 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 a marginal improvement on those reported at Month 4 but still present a significant challenge for the Authority and it should be noted that in relation to COVID there is an element of estimation as there can be no certainty about the easing back or indeed escalation 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.
- 2.6 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. The MHCLG has now provided guidance for the Sales, Fees and Charges (SFC) compensation scheme (although not for Council Tax and Business Rates). The first claim for SFC income lost for the period April to the end of July was submitted to the MHCLG on 8 October 2020 and will be reflected in future reports. The forecasts presented do not

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include any estimates or mitigations in anticipation of the funding and assistance that may be received.

- 2.7 As this financial monitoring report reflects the financial position at Month 5, it can be regarded as a continued indicator of the potential position if the corrective action that is being taken not maintained, 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.
- 2.8 Sections 4.11 to 4.13 of Annex 1 provide details of the second tranche of the Adult Social Care Infection Control Grant, in the sum of £2.276m. Cabinet is requested to formally accept the grant and delegate the distribution of the grant, in accordance with the detailed grant conditions, to the Director of Adult Social Services (DASS) and the Cabinet Member for Health and Social Care in consultation with the Director of Finance. A detailed report, setting out the individual allocations for adult social care providers, the reporting requirements and timescales will then be prepared as a delegated decision.
- 2.9 Similarly sections 4.14 to 4.16 of Annex 1 provide details of year 4 allocation of the Opportunity Area Grant from the Department for Education (DfE) in the sum of £1.580m. Cabinet is requested to formally accept the grant, passport it to Children's Services in accordance with the expectation of the DfE and delegate the distribution of the grant, in accordance with the detailed grant conditions and the plan approved by the OA Board to the Director of Children's Services and the Cabinet Member for Education in consultation with the Director of Finance.
- 2.10 Information on the latest 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 £4.804m directly as a result of COVID-19. This will have a budgetary impact in 2021/22.
- 2.11 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. The Schools Forum meeting on 30 September was provided with updated information on the progress towards addressing the DSG deficit, details of which will be incorporated in the month 6 report.
- 2.12 The original approved capital programme for 2020/21 totalled £147.632m. The revised capital programme as at Month 5 taking account of approved carry forwards, approved new funding, new schemes and variations and proposed variations/ re-phasing gives projected revised expenditure of £142.379m. Actual expenditure at Month 5 was £32.359m (22.73% of the forecast outturn). Further details of expenditure and schemes within the capital programme can be found in Annex 2.

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### **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 together with the proposed changes including the acceptance of new grants and proposed delegation to the relevant Director and Cabinet Member in consultation with the Director of Finance of the following:
    - a. Adult Social Care Infection Control Grant
    - b. Opportunity Area Grant (Year 4)
  - 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. The report will also be presented to the Overview and Scrutiny Performance and Value for Money Select Committee for review.

### **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.



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## **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 - 17 - 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 Appendices A - G

Officer Name: Lee Walsh

Contact No: 0161 770 6608



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## 20      **Appendices**

### **Annex 1                      Revenue Budget Monitoring Report 2020/21 Month 5 - August 2020**

Appendix 1                      Month 5 - Planned Transfers to/ from Reserves  
Appendix 2                      Financing of the 2020/21 Budget at Month 5

### **Annex 2                      Capital Investment Programme Report 2020/21 Month 5 – August 2020**

Appendix A                      SUMMARY – Month 5 - Corporate Services  
Appendix B                      SUMMARY – Month 5 - Children's Services  
Appendix C                      SUMMARY – Month 5 - Communities and Reform  
Appendix D                      SUMMARY – Month 5 - Community Health & Adult Social Care  
Appendix E                      SUMMARY – Month 5 - Housing Revenue Account (HRA)  
Appendix F                      SUMMARY – Month 5 - People and Place  
Appendix G                      SUMMARY – Month 5 - Proposed Variations