

Report to Cabinet

Revenue Monitor and Capital Investment Programme 2020/21 Quarter 2 – September 2020

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

Officer Contact: Anne Ryans, Director of Finance

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

30 November 2020

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 September 2020 (Quarter 2) 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 £5.369m 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 ongoing arrangements to mitigate the spread of COVID-19 which commenced 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 £23.978m unringfenced Government COVID related grant funding, of which £16.638m was reported at month 5. The extra grant is a further £6.058m COVID Emergency Funding and £1.282m by way of compensation for loss of income in relation to sales, fees and charges which has now been confirmed following the first submission to the Ministry for Communities, Housing and Local Government (MHCLG) under the income compensation scheme. In Annex 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 still 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, certainly in respect of lost income for sales, fees and charges (with two further returns scheduled for the current financial year), 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. There have been a number of developments particularly in relation support for businesses and to provide additional support for the Council following the whole of Greater Manchester moving into Tier 3 (very high) COVID restrictions on 23 October 2020 and the subsequent national lockdown on 5 November 2020.

As this financial monitoring report reflects the financial position at Quarter 2, 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 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.

However, it is important to note the worsening position in relation to the course of the pandemic and the introduction of a new national lockdown. Financial pressures on the Council could increase and therefore the variance could rise. Much therefore depends on the future direction of the pandemic, Government action and the response required from the Council.

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 a deficit of £5.285m 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 an increased 2020/21 deficit projected of £5.785m. Action is being taken with the aim of reducing the cumulative deficit and bringing the DSG towards a balanced position. Cabinet will receive a comprehensive update in the report 'Schools National Funding Formula' that will be presented to the meeting on 14 December.

Capital Position

The report outlines the most up to date capital spending position for 2020/21 to 2024/25 for approved schemes. The revised capital programme budget for 2020/21 is £89.946m at the close of Quarter 2, a net decrease of £57.686m from the original budget of £147.632m. Actual expenditure to 30 September 2020 was £35.270m (39.65% 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 2 being a £5.369m adverse variance having regard to the action being taken to manage expenditure
2. Delegation of the detailed allocation of the eight revenue grants set out at section 2.7 and in detail at section 4.2 of Annex 1 to the Cabinet Member and Director within whose Portfolio the grant is administered together with the Director of Finance
3. Forecast positions for the Dedicated Schools Grant, Housing Revenue Account and Collection Fund
4. Use of reserves as detailed in Appendix 1 to Annex 1
5. Revised capital programme for 2020/21 to 2024/25 as at Quarter 2 as presented in Annex 2.

Revenue Monitor and Capital Investment Programme 2020/21 Quarter 2 – September 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 2 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 MHCLG (as highlighted to Cabinet in previous months). The information in this report is an update on the Round 6 submission made to the Ministry of Housing, Communities and Local Government (MHCLG) on 6 October, (the Round 7 return has subsequently been submitted on 6 November 2020 and will form the basis of the month 7 report).
- b) The capital programme forecast has been based on notified revisions to the approved 2020/21 position including new grant announcements, revisions to the Creating a Better Place programme as approved at Cabinet on 24 August 2020 and the outcome of the annual review of the capital programme which took place over the summer months.

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. Clearly, given the changing course of the pandemic and the worsening local and national position including the introduction of a new lockdown, there are likely to be further changes that cannot be foreseen at this time.

2. Current position

2.1 The forecast revenue outturn for 2020/21 is an adverse variance of £5.369m, a significant reduction, mainly, but not exclusively as a result of additional COVID related funding received from MHCLG. 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 £28.228m, this reduces to £4.250m with the application of the £23.978m un-ringfenced Government COVID related grant funding received to

date. The non-COVID related pressures are primarily in Community Health and Adult Social Services (£1.752m) and Children's Services (£2.152m).

- 2.2 The total Portfolio variances are £29.347m as detailed in Annex 1 at Tables 1 and 2 including COVID (£28.228m) and non COVID (£1.119m) pressures. This is comprised of People and Place reporting an adverse variance of £4.179m (£4.803m COVID related), Community Health and Adult Social Care reporting a pressure of £6.626m (£4.874m COVID related) and Children's Services reporting an adverse variance of £7.157m (£5.005m COVID related). The Services within Communities and Reform and Commissioning are similarly reporting adverse variances of £2.003m (£2.431m COVID related) and £0.687m (£1.137m COVID related) respectively. There is a small favourable variance of £0.233m within Chief Executive, with a £0.550m COVID related pressure. Capital, Treasury and Corporate Accounting is reporting a pressure of £8.928m of this £9.428m is COVID related with an offsetting £0.500m favourable business as usual variance resulting in the main from reduced capital financing requirements, following a comprehensive review of the capital programme.
- 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 the table below shows the net impact across all Portfolio areas:

Portfolio Area	Gross Costs- COVID-19 Response £000	Apportion Grant Funding (Expenditure) £000	Apportion Grant Funding (SFC) £000	COVID Costs Net of Funding £000	Business as Usual £000	Total Variance £000
People and Place	4,803	(3,332)	(685)	786	(624)	162
Community Health and Adult Social Care	4,874	(4,721)	(153)	(0)	1,752	1,752
Children's Services	5,005	(3,988)	(198)	819	2,152	2,971
Communities and Reform	2,431	(1,984)	(49)	398	(428)	(30)
Commissioning	1,137	(792)	(159)	186	(450)	(264)
Chief Executive	550	(424)	(36)	90	(783)	(693)
Capital, Treasury and Corporate Accounting	9,428	(7,458)	-	1,970	(500)	1,470
Total	28,228	(22,697)	(1,281)	4,250	1,119	5,369

- 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 Council services.
- 2.5 The current forecasts represent a significant improvement on those reported at Month 5, largely as a result of additional Government funding and also as a result of reduced capital financing costs as a result of reprofiling the capital programme. Despite this, there remains 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, particularly given the current escalation of restrictions and the uncertain 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 £23.978m, including the first claim submitted to the MHCLG Sales, Fees and Charges (SFC) compensation scheme (now confirmed in the sum of £1.282m), all of which has been used to offset the overall pressure arising from the pandemic. There will also be a new scheme which will provide support for Council Tax and Business Rates losses. This is expected to be announced with the Spending Review on 25 November 2020. Assistance allowing Council Tax and Business Rates deficits to be repaid over 3 years instead of one has already been introduced.
- 2.7 The Government has announced further support in the form of unringfenced and ringfenced revenue grants to assist the Council with its response to COVID since Members considered the month 5 monitoring report. These are :
- a) Local Authority Support for Clinically Extremely Vulnerable Individuals - £0.145m
 - b) Enhanced Response to COVID Grant - £0.300m
 - c) Next Steps Accommodation Programme - £0.147m
 - d) Local Authority Compliance and Enforcement Grant - £0.155m
 - e) Test and Trace Support Payment Scheme Grant - £0.245m
 - f) Contain Outbreak Management Fund - £1.897m
 - g) Additional Home to School and College Transport Funding - £0.180m
 - h) COVID Winter Grant Scheme - £0.975m

Cabinet is asked to delegate the detailed allocation of the eight grants set out above to the Cabinet Member and Director within whose Portfolio the grant is administered and Director of Finance:

- 2.8 Additional support for business has been announced which will be administered by the Council and action is in train to ensure businesses receive grant payments. Further detail is provided in section 4.6 of Annex 1.
- 2.9 As this financial monitoring report reflects the financial position at Quarter 2, whilst showing a significant improvement, it can still be regarded as a continued indicator of the potential deficit position if the corrective action that is being taken is 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 further and this should start to be demonstrated in the reports which will be presented to Cabinet in the latter part of the year. It is also anticipated that the additional funding mentioned in para 2.6 will help to reduce the deficit on the Collection Fund (Council Tax and Business Rates) once the relevant guidance and instructions have been received from Government.
- 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, directly as a result of COVID-19, is forecasting an increased in-year deficit of £7.110m, which produces a forecast cumulative deficit outturn of £5.285m. 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, increased deficit of £5.785m now being forecast for 2020/21, as reported to the Schools Forum on 30 September 2020. The Schools Forum meeting on 25 November 2020 subsequently considered a number of papers, this included an update on the Dedicated Schools Grant to take account of the latest expenditure predictions and their impact on the project deficit for 2020/21 and the DSG Recovery Plan. It also considered the proposed funding model for 2021/22 which included an option to move 0.5% from the Schools Block to the High Needs Block together with the outcome of consultation with schools on these issues. The latest position in relation to all these matters will be fully addressed in the report 'Schools National Funding Formula' that will be presented to Cabinet on 14 December.

2.12 The original approved capital programme for 2020/21 totalled £147.632m. The revised capital programme as at Quarter 2 reflects the outcome of the annual review of the capital programme and therefore takes account of approved carry forwards, approved new funding, new schemes and variations and proposed variations/ re-phasing. This gives projected revised expenditure of £89.946m, a significant reduction of £52.433m compared to the previous month as a result of the comprehensive re-appraisal of the programme. Actual expenditure at Quarter 2 was £35.270m (39.65% 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 together with the proposed changes including the acceptance of new grants outlined in section 2.7 above (and as set out in section 4 of Annex 1) and the proposed delegation of the detailed use to the relevant Director and Cabinet Member in consultation with the Director of Finance.
- 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.

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 - 18 - 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 and 2

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

20 Appendices

Annex 1 Revenue Budget Monitoring Report 2020/21 Quarter 2 – September 2020

Appendix 1 Quarter 2 - Planned Transfers to/ from Reserves

Appendix 2 Financing of the 2020/21 Budget at Quarter 2

Annex 2 Capital Investment Programme Report 2020/21 Quarter 2 – September 2020

Appendix A SUMMARY – Quarter 2 - Corporate Services

Appendix B SUMMARY – Quarter 2 - Children's Services

Appendix C SUMMARY – Quarter 2 - Communities and Reform

Appendix D SUMMARY – Quarter 2 - Community Health & Adult Social Care

Appendix E SUMMARY – Quarter 2 - Housing Revenue Account (HRA)

Appendix F SUMMARY – Quarter 2 - People and Place

Appendix G SUMMARY – Quarter 2 - Proposed Variations