

**REVENUE BUDGET MONITORING REPORT 2020/21****Quarter 2 - September 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 Quarter 2 together with known commitments, issues and planned management actions. The forecasts include the latest estimates in relation to expenditure arising as a result of COVID-19 and are an update on the round 6 position reported to the Ministry of Housing, Communities and Local Government (MHCLG) on 6 October 2020 (the round 7 return has subsequently been submitted on 6 November 2020 and will form the basis of the month 7 report). The forecasts, for the first time also include the claim in relation to the loss of income as a result of the pandemic under the income compensation scheme for lost sales, fees and charges (SFC) as submitted to MHCLG on 8 October 2020. The claim (£1.282m) has been accepted and will be paid in full on 27 November 2020.

1.3 In considering the projections included in the MHCLG returns and in this report, it is important to note that there is a high degree of estimation in relation to the impact of COVID-19, particularly given the Council, along with the remainder of Greater Manchester was placed under Tier 3 (very high) lockdown restrictions on 23 October 2020, followed by a second national lockdown commencing on 5 November 2020 for an initial 4 week period. The completion of the returns and forecasting of the likely impact of the pandemic on the Council's budget is based on both the actual expenditure/income loss recorded to date 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 Summary Position**

2.1.1 The current net revenue budget of £279.288m represents an increase of £45.764m against the originally approved budget and an increase of £8.001m against the financing of £271.287m that was available at Month 5. The major increase from the previously reported position is the receipt of £7.340m additional COVID-19 related funding from MHCLG; £6.058m being the fourth tranche of COVID-19 emergency

funding for local government and a £1.282m initial claim for loss of income in relation to SFC bringing the total received in year to £23.978m. An increase of £0.124m in general grant funding has also been received (£0.116m of Staying Put grant and £0.008m of External Personal Adviser Duty Implementation Grant). There is also an additional £0.391m in compensation for the granting of business rate relief to retail, leisure, hospitality and nursery businesses. The balance of £0.146m 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.

- 2.1.2 The current position for 2020/21 at Quarter 2 is an initial projected overspend £5.369m, a significant reduction of £11.334m compared to the £16.703m reported at month 5. 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 Quarter 2 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**

|  | Budget           | Forecast         | In Year Use of Transfer To/(From) Reserves | Variance Quarter 2 (Month 6) | Variance Month 5 |
|--|------------------|------------------|--|------------------------------|------------------|
|  | £000             | £000             | £000                                       | £000                         | £000             |
| People and Place                           | 62,466           | 66,822           | (176)                                      | 4,179                        | 5,920            |
| Community Health and Adult Social Care     | 63,110           | 69,736           | -  | 6,626                        | 7,219            |
| Children's Services                        | 48,024           | 55,504           | (323)                                      | 7,157                        | 7,270            |
| Communities and Reform                     | 33,103           | 35,445           | (339)                                      | 2,003                        | 2,376            |
| Commissioning                              | 9,351            | 12,085           | (2,047)                                    | 687                          | 256              |
| Chief Executive                            | 7,605            | 7,372            | -  | (233)                        | (128)            |
| Capital, Treasury and Corporate Accounting | 13,829           | 22,755           | -  | 8,928                        | 10,428           |
| Covid-19 Funding                           | 16,337           | -                | (7,641)                                    | (23,978)                     | (16,638)         |
| Additional Section 31 Grant                | 25,463           | -                | 25,463                                     | -                            | -                |
| <b>NET EXPENDITURE</b>                     | <b>279,288</b>   | <b>269,719</b>   | <b>14,937</b>                              | <b>5,369</b>                 | <b>16,703</b>    |
| <b>FINANCED BY:</b>                        | <b>(279,288)</b> | <b>(279,288)</b> | <b>-</b>                                   | <b>-</b>                     |                  |
| <b>NET FORECAST VARIANCE</b>               | <b>-</b>         | <b>(9,569)</b>   | <b>14,937</b>                              | <b>5,369</b>                 | <b>16,703</b>    |

- 2.1.3 The forecast outturn to the end of the year, after a predicted and proposed (net) in-year transfer to reserves totalling £14.937m is an adverse variance of £5.369m. A detailed list of the approved and planned use of reserves at Quarter 2 can be found at Appendix 1. The movement in reserves includes the transfer to reserves of the Section 31 Grant Funding (£25.463m) for Business Rate Relief compensation. 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 £16.337m received in year brings the total Government unringfenced COVID support to £23.978m.

- 2.1.4 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. These additional in-year COVID related pressures, totalling a net £4.250m 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 of £10.061m on the £14.311m included on the Month 5 monitoring report which was based on the Round 5 submission to the MHCLG. This reduction is in the main due to the confirmed grant funding of £7.340m from MHCLG as referred to in para 2.1.1. Table 2 below analyses the variance between COVID-19 and 'Business as Usual' operational variances.

**Table 2 - Analysis of Variances**

|  | Variance<br>Quarter 2 | COVID 19<br>Costs<br>included in<br>forecasts | Business<br>as Usual |
|--|-----------------------|---|----------------------|
|  | £000                  | £000  | £000                 |
| People and Place                           | 4,179                 | 4,803   | (624)                |
| Community Health and Adult Social Care     | 6,626                 | 4,874   | 1,752                |
| Children's Services                        | 7,157                 | 5,005   | 2,152                |
| Communities and Reform                     | 2,003                 | 2,431   | (428)                |
| Commissioning                              | 687                   | 1,137   | (450)                |
| Chief Executive                            | (233)                 | 550   | (783)                |
| Capital, Treasury and Corporate Accounting | 8,928                 | 9,428   | (500)                |
| COVID-19 Funding                           | (23,978)              | (23,978)                                      | -                    |
| <b>Total</b>                               | <b>5,369</b>          | <b>4,250</b>                                  | <b>1,119</b>         |

- 2.1.5 The People and Place Portfolio has a reported a pressure of £4.179 compared to £5.920m at Month 5, a reduction of £1.741m with a proposed net use of reserves totalling £0.176m. There is favourable business as usual operational variance of £0.624m, an improvement compared to the previously reported favourable outturn of £0.366m. The major movement is a £1.483m reduction in the predicted costs relating to COVID-19; the anticipated pressure is now estimated to be £4.803m compared to that of £6.286m at month 5.
- 2.1.6 Community Health and Adult Social Care (CHASC) is reporting an overspend of £6.626m, predominantly linked to the rising cost and demand for Community Care. The adverse variance includes £4.874m of COVID-19 related expenditure which is a reduction of £0.544m on the figure reported at Month 5. The movement is therefore a slight reduction of £0.049m in operational activities.
- 2.1.7 Children's Services is forecasting an adverse variance of £7.157m of which £5.005m remains related to COVID-19 and with a proposed £0.235m use of reserves. This is a

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decrease of £0.113m compared to the previously reported £7.270m. There are major pressures within the two main service areas: Education, Skills and Early Years; at £1.407m and Children's Social Care; at £5.845m.

- 2.1.8 Communities and Reform is reporting an adverse variance of £2.003m, including £2.431m of COVID related pressures offset by a favourable operational variance of £0.428m. Similarly, the Commissioning Portfolio is reporting an overall adverse variance of £0.687m, an adverse movement of £0.431m compared to that reported at month 5, mainly due to additional COVID related expenditure. The total variance is comprised of pressures of £0.517m in Procurement and £0.170m in Finance.
- 2.1.9 The Chief Executive Portfolio is reporting a favourable variance of £0.233m, whilst Capital, Treasury and Corporate Accounting which is showing an adverse position of £8.928m, a favourable change of £1.500m compared to Month 5.
- 2.1.10 Government unringfenced funding received so far now totals £23.978m, the increase of £7.340m has helped reduce the overall deficit position, additional funding is expected, as at a minimum, two further SFC returns are scheduled to be submitted for the 2020/21 financial year, which it is anticipated will again reduce the in-year deficit. Furthermore, additional funding/ reimbursements are expected from the GMCA, an initial £2.083m was received at the end of October and will be incorporated in the month 7 monitoring report. A more detailed analysis of financial performance and the major variances can be found by Portfolio in the following sections.
- 2.1.11 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 the above pressures are included within the forecasts.

- 2.1.12 As previously reported, in view of the projected adverse variance at Quarter 2, management action has been initiated across all service areas to review and challenge planned expenditure and to maximise income and the recruitment of staff to vacant posts and significant items of expenditure continue to be 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.
- 2.1.13 The effectiveness of management action will continue to be closely monitored by Directorate Management Teams with regular progress updates being provided to Portfolio holders. Clearly there has been a significant reduction in the forecast deficit from the previous month, largely, but not exclusively as a result of additional funding. Assuming no major changes in circumstances occurs, it would be anticipated that by the year end, the outturn position will reflect an even lower overall adverse position. However, the local and national position in relation to COVID-19 is worsening and an

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increase in expenditure/ loss of income could potentially impact on the financial position. It is not possible to project this with any accuracy at the time of preparing this report.

- 2.1.14 Alongside planned management actions to reduce the overspend, further returns have and will be submitted to the MHCLG for the re-imbursement of COVID related expenditure and loss of sales, fees and charges. Any grant received will further improve the 2020/21 financial position.
- 2.1.15 The current financial monitoring position whilst continuing to improve, is still a major concern as it impacts on the overall financial resilience of the Council. It is evident that there is time for the financial position to continue to improve and management action to be effective but given the volatility of the COVID-19 position there is no certainty in this regard. Changes should be demonstrated in the coming months and updates will continue to be presented to Cabinet on a regular basis. The Overview and Scrutiny Performance and Value for Money Select Committee will also continue to consider the reports.

### 3 Portfolio Summaries

#### 3.1 People and Place

- 3.1.1 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<br>£000 | Forecast<br>£000 | Use of Reserves<br>£000 | Variance<br>£000 |
|---------------------------------------|------------------------|------------------|-------------------------|------------------|
| Economic Development                  | 2,203                  | 5,802            | (260)                   | 3,339            |
| Enterprise and Skills                 | 773                    | 1,377            | -                       | 604              |
| Environmental Services                | 53,913                 | 53,554           | 84                      | (275)            |
| ICT                                   | 4,212                  | 4,785            | -                       | 573              |
| Customer Services                     | 1,365                  | 1,303            | -                       | (62)             |
| <b>Total Forecast Net Expenditure</b> | <b>62,466</b>          | <b>66,822</b>    | <b>(176)</b>            | <b>4,179</b>     |

#### Summary

- 3.1.2 The forecast outturn at Quarter 2 for the People and Place portfolio, including all pressures associated with COVID-19, is an overspend of £4.179m.

#### Economic Development

- 3.1.3 Economic Development Directorate is currently forecasting a pressure of £3.339m compared to £4.953m at Month 5, including a £0.260m use of reserves. The main reasons for the adverse variance are detailed by service area below:

- The Catering and Cleaning service is showing an adverse variance of £0.726m due to staffing vacancies and reduced food costs offsetting lost income as a result of the COVID-19 pandemic

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- The Car Parking budget is also showing a pressure of £1.092m which relates to the loss of income as a result of COVID-19
  - There is an estimated pressure against the Corporate Landlord/Investment Estate totalling £1.260m, of which £0.951m relates to COVID-19 with the remainder relating to pre-existing issues in the area
  - The Strategic Housing Service is projecting a pressure of £0.246m due to additional accommodation costs being incurred as a result of COVID-19
  - The Planning Department is projecting a minor pressure of £0.015m relating to agency staffing costs

3.1.4 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, as per the 2020/21 Revenue Budget and Medium-Term Financial Strategy this work will be financed from revenue reserves and the appropriate drawdowns have been now been incorporated in the month 6 monitoring position.

#### Enterprise and Skills

3.1.5 The Enterprise and Skills Directorate is forecasting a pressure of £0.604m. The Town Centre area, which includes the Market Service is currently forecasting an overall loss for the financial year of £0.667m which includes an anticipated loss of certain rental income due to COVID-19. Offsetting this pressure is an anticipated underspend due to a reduction in staffing costs of £0.063m within the Enterprise Development service.

#### Environmental Services

3.1.6 The Environmental Services area is forecasting a £0.275m underspend. The Waste Levy payable to 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. Pending final confirmation, it is expected that variances in the overall GM Waste Disposal budget will be managed by the Combined Authority and the pressure has therefore been removed from the Directorate forecast. Variances triggering the overall underspend include:

- Public Protection is showing a pressure totalling £0.330m, of which £0.106 relates to loss of income due to COVID-19
- The Highways Operations (Council) is showing a pressure of £0.082m of which £0.048m is lost income as a result of COVID-19
- Waste Management is showing an underspend of £0.095m with £0.048m additional COVID-19 impacts being offset by underspends in staffing vacancies
- Underspends totalling £0.555m consisting of £0.260m in Highways Operations (Unity), £0.295m in Street Lighting (S.38 / S.278 inspection fees).
- There are minor favourable variances totalling £0.037m within Environmental Management and the Fleet service areas

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## ICT and Customer Services

- 3.1.7 ICT is forecasting an overspend of £0.573m, £0.665m of which is attributable to COVID-19 costs. There is a pressure relating to Microsoft licenses of £0.068. These overspends are offset by staffing underspend arising from vacancies. Customer Services is forecasting a small favourable outturn of £0.063m

## Achievement of Budget Reductions

- 3.1.8 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.

## 3.2 Community Health and Adult Social Care

- 3.2.1 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 for the Portfolio at Quarter 2. There is currently no planned use of reserves for the Directorate.

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

|                                       | Revised Budget<br>£000 | Forecast<br>£000 | Use of Reserves<br>£000 | Variance<br>£000 |
|---------------------------------------|------------------------|------------------|-------------------------|------------------|
| Commissioning                         | 21,422                 | 21,079           | -                       | (343)            |
| Community Business Services           | 1,688                  | 1,562            | -                       | (126)            |
| Community Health & Social Care        | 28,513                 | 27,864           | -                       | (649)            |
| Director Adult Social Care            | (8,733)                | (9,182)          | -                       | (449)            |
| Learning Disability                   | 11,599                 | 14,284           | -                       | 2,685            |
| Mental Health                         | 7,587                  | 8,281            | -                       | 694              |
| Safeguarding                          | 1,034                  | 974              | -                       | (60)             |
| Adult Social Care - COVID 19          | -                      | 4,874            | -                       | 4,874            |
| <b>Total Forecast Net Expenditure</b> | <b>63,110</b>          | <b>69,736</b>    | -                       | <b>6,626</b>     |

## Summary

- 3.2.2 As demonstrated in table 4 above, the pandemic is having a significant impact on the Portfolio, with a projected budget pressure of £6.626m, albeit a reduction of £0.593m compared to that reported at month 5. The majority of the reduction is in relation to COVID related expenditure which has reduced by £0.544m and now totals £4.874m, in the main attributable to a forecast reduction in the need for financial support given to care homes to maintain bed occupancy levels. As previously reported, the arrangements to recharge costs to support hospital discharge to the NHS (via Oldham Clinical Commissioning Group [CCG]) changed on 1 September 2020, the main impact of which is that existing clients funded in this way will, after being assessed, return to being chargeable to the Council (excluding healthcare needs which will be funded by the CCG). In addition, newly discharged patients now only qualify for time limited



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support via the NHS (in most cases 6 weeks). This, together with the impact of the increasing infection rates and the enhanced lockdown arrangements will undoubtedly have an impact on the costs to be borne by the Council.

- 3.2.3 'Business as usual' variances are broadly in line with those reported at month 5.

#### Commissioning & Community Business Services

- 3.2.4 Commissioning is forecasting an underspend of £0.343m due to a reduction in core payments made to Supported Living care providers in the independent care sector. This is considered to be a temporary position influenced not only by the effect COVID-19 has had on the client base but also the small increase of people becoming eligible for Continuing Health Care funding.

Community Business Services is forecasting a £0.126m underspend for the year due to vacant posts.

#### Community Health & Social Care

- 3.2.5 This area is forecasting an underspend of £0.649m, an adverse movement of £0.063m compared to that reported at month 5. This is a volatile area of the service. The underspend is due to the fact 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

- 3.2.6 Director Adult Social Care is forecasting a favourable variance of £0.449m due to the anticipated uplift in the Better Care Fund allocation being consistent with previous years agreements.

#### Learning Disability

- 3.2.7 Learning Disability is forecasting an overspend of £2.685m compared to £2.672m at month 5. The adverse variance 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 which continues to present a considerable financial challenge.

#### Mental Health

- 3.2.8 Mental Health is forecasting an overspend of £0.694m, a favourable movement of £0.087m compared to that reported at month 5. 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 identify high cost and/or out of borough support which aims to optimise value for money when reviewing and procuring appropriate care packages.

#### Safeguarding

- 3.2.9 Safeguarding is reporting an underspend of £0.060m, a favourable shift of £0.083m compared to the overspend of £0.023m reported at month 5.



## Achievement of Budget Reductions

- 3.2.10 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

- 3.2.11 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.
- 3.2.12 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**

|  | <b>Revised Budget<br/>£000</b> | <b>Forecast<br/>£000</b> | <b>Variance<br/>£000</b> |
|--|--------------------------------|--------------------------|--------------------------|
| Community Health and Adult Social Care | 61,360                         | 67,986                   | 6,626                    |
| Public Health                          | 18,114                         | 17,988                   | (126)                    |
| Children and Families                  | 41,550                         | 47,395                   | 5,845                    |
| <b>Total</b>                           | <b>121,024</b>                 | <b>133,369</b>           | <b>12,345</b>            |

- 3.2.13 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.

## 3.3 Children's Services

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

**Table 6 – Children's Services**

|                                       | <b>Revised Budget<br/>£000</b> | <b>Forecast<br/>£000</b> | <b>Use of Reserves<br/>£000</b> | <b>Variance<br/>£000</b> |
|---------------------------------------|--------------------------------|--------------------------|---------------------------------|--------------------------|
| Children's Social Care                | 34,909                         | 40,754                   | -                               | <b>5,845</b>             |
| Education, Skills & Early Years       | 9,649                          | 11,296                   | (240)                           | <b>1,407</b>             |
| Preventative Services                 | 3,505                          | 3,493                    | (83)                            | <b>(95)</b>              |
| Schools                               | (39)                           | (39)                     | -                               | -                        |
| <b>Total Forecast Net Expenditure</b> | <b>48,024</b>                  | <b>55,504</b>            | <b>(323)</b>                    | <b>7,157</b>             |

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## Summary

- 3.3.2 The Portfolio has a projected overspend of £7.157m which includes additional costs that are related to the impact of COVID-19 (unchanged at £5.005m), a reduction of £0.113m compared to £7.270m reported at month 5, this includes the use of reserves totalling £0.323m. The principal underlying reasons are detailed below.

### Children's Social Care

- 3.3.3 This area is projecting a £5.845m overspend, an increase of £0.294m, this includes an anticipated additional cost related to COVID-19 of approximately £2.248m in the main relating to the provision of in-house residential care, placements and staffing pressures, plus a further £1.660m of unachievable savings, largely at the same levels as forecast at month 5.
- 3.3.4 There are other additional overspends included within the forecasts, these are one off pressures in relation to restructuring costs and the anticipated loss of contractual income and account for £0.546m of the adverse variance.
- 3.3.5 There is a further forecast operational deficit of £1.391m as a result of increased costs in the main relating to social care placements including Out of Borough and to a much lesser extent certain elements of staffing costs.

### Education, Skills and Early Years

- 3.3.6 The Directorate is estimating a £1.407m overspend, a reduction of £0.312m from the position reported at month 5, largely attributable to the use of £0.240m of the Learning and Attainment reserve. The overspend includes £1.097m of costs associated with COVID-19; the main contributing factors in relation to which are as follows:
- £0.451m - Home to School Transport budget anticipated impact from September 2020 due to social distancing measures (for which financial assistance of £0.180m has been received from GMCA)
  - £0.421m - Out of Borough half term opening costs related to COVID-19, SEN Home Tutoring and Lost Learning and Get Oldham Working
  - £0.225m - Loss of Income; Service Level Agreement (SLA) Income to QEST service, Post16 parental fines
- 3.3.7 Further additional pressures in relation to 'business as usual' total £0.310m and include
- £0.93m as a result of underachievement of traded income within the QEST/ Educational Psychology service;
  - £0.101m relating to additional expenditure in SEND Reform;
  - £0.142m relating to staffing pressures across the Directorate.

### Preventative Services

- 3.3.8 Preventative Services includes Early Help, Targeted Youth, Tackling Troubled Families and the Multi-Agency Safeguarding Hub (MASH), plus following a re-allocation of services, the Family Support service which has transferred from Children's Social Care, as a result of which the Directorate is now predicting an underspend of

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£0.095m for the year, there is a £0.083m use of the Children's Reserve to support the activity of the MASH.

#### Achievement of Budget Reductions

- 3.3.9 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.

### 3.4 Communities and Reform

- 3.4.1 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<br>£000 | Forecast<br>£000 | Use of Reserves<br>£000 | Variance<br>£000 |
|---------------------------------------|------------------------|------------------|-------------------------|------------------|
| People                                | 2,420                  | 2,247            | -                       | (173)            |
| Public Health & HLA                   | 23,523                 | 23,849           | (339)                   | (13)             |
| Youth, Leisure & Communities          | 5,476                  | 7,553            | -                       | 2,077            |
| Communications and Research           | 889                    | 978              | -                       | 89               |
| Policy                                | 40                     | 83               | -                       | 43               |
| Strategy and Performance              | 755                    | 735              | -                       | (20)             |
| <b>Total Forecast Net Expenditure</b> | <b>33,103</b>          | <b>35,445</b>    | <b>(339)</b>            | <b>2,003</b>     |

- 3.4.2 The forecast outturn at Quarter 2 is an overspend of £2.003m compared to £2.376m at Month 5, a decrease of £0.373m. This is after the approved use of £0.339m reserves. COVID related pressures have reduced slightly by £0.071m and now stand at £2.431m. A favourable variance of £0.428m relates to 'Business as Usual' and is an improvement of £0.302m on the position reported at month 5. The paragraphs below outline the main movements within the Portfolio.
- 3.4.3 Youth, Leisure and Communities is showing an overall overspend of £2.077m. 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 relates to the Leisure contract and the centre closures due to COVID-19. The pressure has not increased from the previous month.
- 3.4.4 There are several lower value variances, as follows:
- People Services is showing a favourable variance of £0.173m which relates to underspends on staffing costs. The service is currently undertaking a restructure which is in the implementation stages
  - Public Health and Heritage Libraries and Arts (HLA) are together showing a joint favourable variance of £0.013m. There are income pressures for the Music Service and Theatre Workshop due to COVID-19 and reduced service provision, which is offset with underspends on staffing and non-pay costs.

- Communications and Research is forecasting an adverse variance of £0.089m; unachievable income and additional spend on payments to contractors
- Policy is showing an overspend of £0.043m - 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 Quarter 2.

#### Achievement of Budget Reductions

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

### 3.5 Commissioning

3.5.1 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<br>£000 | Forecast<br>£000 | Use of Reserves<br>£000 | Variance<br>£000 |
|---------------------------------------|------------------------|------------------|-------------------------|------------------|
| Commissioning and Procurement         | 283                    | 800              | -                       | 517              |
| Finance                               | 9,068                  | 11,285           | (2,047)                 | 170              |
| <b>Total Forecast Net Expenditure</b> | <b>9,351</b>           | <b>12,085</b>    | <b>(2,047)</b>          | <b>687</b>       |

#### Summary

3.5.2 The forecast outturn position at Quarter 2 is an overspend of £0.687m, an adverse variance of £0.431m compared to the forecast reported at month 5, this is after a £2.047m use of reserves. A sum of £1.137m of the adverse variance is attributable to the pandemic, leaving a 'business as usual' underspend of £0.450m.

#### Commissioning and Procurement

3.5.3 Commissioning and Procurement is reporting an overspend of £0.517m, an adverse movement of £0.040m to the position reported at month 5. The service is continuing to experience difficulties in recruiting to permanent posts, resulting in a more expensive temporary staffing solution costing an additional £0.200m above current budget levels. The service is also reporting a pressure of £0.317m 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.

3.5.4 Finance is showing an overspend of £0.170m, the pressure in relation to summons cost recoveries has increased to £1.056m at month 6 where it is anticipated there will be no or very few summons cost recoveries in 2020/21 due to COVID19. This is offset in part by vacancies in the Finance division and a forecast reduction in non-pay costs.

#### Achievement of Budget Reductions

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

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### 3.6 Chief Executive

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

**Table 9 – Chief Executive**

|                                       | Revised<br>Budget<br>£000 | Forecast<br>£000 | Use of<br>Reserves<br>£000 | Variance<br>£000 |
|---------------------------------------|---------------------------|------------------|----------------------------|------------------|
| Chief Executive                       | 2,257                     | 2,171            | -                          | (86)             |
| Chief Executive Management            | 1,554                     | 1,479            | -                          | (75)             |
| Legal Services                        | 3,211                     | 3,139            | -                          | (72)             |
| Executive Office                      | 583                       | 583              | -                          | -                |
| <b>Total Forecast Net Expenditure</b> | <b>7,605</b>              | <b>7,372</b>     | <b>-</b>                   | <b>(233)</b>     |

#### Summary

- 3.6.2 The Portfolio is showing an underspend of £0.233m (£0.128m at month 5), 'business as usual' underspends totalling £0.783m are offset by estimated pressures of £0.550m due to the impact of COVID-19.

#### Chief Executive

- 3.6.3 Chief Executive is reporting an underspend of £0.086m at Quarter 2. Additional mortuary costs due to COVID-19 are in part offset by a reduction in contributions to GMCA for regionally provided services and a reduction in costs for the Coroners Service in 2020/21.

#### Chief Executive Management

- 3.6.4 Chief Executive Management is reporting an underspend of £0.075m as at month 6 which relates to a contribution from the NHS Test and Trace service.

#### Legal Services

- 3.6.5 The service is reporting an underspend of £0.072m at Quarter 2. There is an impact of COVID-19 with an anticipated reduction in income in Registrars and Land Charges and the recovery of court costs. There are staffing pressures due to COVID-19 as external expertise is required regarding contractual issues and to deal with the backlog of schools' admission appeals. This is in part being offset by an anticipated underspend within the Elections budget due to the postponement of the local election in May 2020.

#### Achievement of Budget Reductions

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

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### 3.7 Capital, Treasury and Corporate Accounting

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

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

|  | <b>Revised<br/>Budget<br/>£000</b> | <b>Forecast<br/>£000</b> | <b>Use of<br/>Reserves<br/>£000</b> | <b>Variance<br/>£000</b> |
|--|------------------------------------|--------------------------|-------------------------------------|--------------------------|
| Capital, Treasury and Corporate Accounting | 13,827                             | 22,755                   | -                                   | <b>8,928</b>             |
| <b>Total Forecast Net Expenditure</b>      | <b>13,827</b>                      | <b>22,755</b>            | -                                   | <b>8,928</b>             |

#### Summary

#### Capital, Treasury and Corporate Accounting

3.7.2 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 Quarter 2, there is a projected adverse net variance of £8.928m which is a favourable movement of £1.500m compared to month 5 and is as a result of a comprehensive reprofiling of the capital programme and a re-evaluation of the potential for investment income.

3.7.3 The adverse variance within the Capital and Treasury service area is £9.428m and is as a result of the anticipated loss of income from approved treasury management investment activities as a result of the global pandemic, offset by £0.500m arising from capital programme reprofiling.

#### Housing Benefits

3.7.4 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

3.7.5 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.

### 4 Other Grants Received by the Council

4.1 Members will recall that in addition to the unringfenced grants highlighted in the report, including the COVID-19 funding of £23.978 (£1.282m of which is in relation to SFC) that has already been or is confirmed and scheduled to be received and which has increased 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. Those previously presented in financial monitoring reports are set out as follows:

- 
- Hardship Fund Grant (£3.015m)
  - Infection Control Fund Grant Round 1 (£2.317m)
  - Infection Control Fund Grant Round 2 (£2.276m)
  - 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)
  - Reopening High Street Safely Fund (£0.210m)
  - Self-Isolation Payment (Pilot Scheme) – grant funding still being finalised but 100% recompense

4.2 New COVID-19 ringfenced grants (together with one ringfenced grant) received since the month 5 report was considered at Cabinet are set out below. Members are requested to delegate the detailed allocation of these grants to the Cabinet Member and Director within whose Portfolio the grant is administered together with the Director of Finance

- a) Local Authority Support for Clinically Extremely Vulnerable (CEV) Individuals - £0.145m

On 2 November 2020 the Government issued guidance with accompanying grant funding so that during the national lockdown Councils would be able to support CEV individuals. The Oldham Council grant share is £0.145m.

The funding is via an unringfenced Section 31 grant to provide maximum flexibility to enable Councils whilst delivering the activities and outcomes outlined in the Shielding Framework which has been issued by the Government. This grant will increase the net revenue budget of the Council and although unringfenced will be passported for use to maximise the benefit to for CEV individuals eligible for support.

- b) Enhanced Response to COVID (£0.300m)

This unringfenced grant of £0.300m was allocated by the Department of Health and Social Care to support the on-going initiatives the Council was funding in July/August when Oldham was one of the very few Authorities in the country with significantly higher COVID-19 infection levels

- c) Next Steps Accommodation Programme (£0.147m)

The Next Steps Accommodation Programme (NSAP) makes available the financial resources needed to support Local Authorities and their partners with the prevention of rough sleepers returning back to rough sleeping in the local area. Allocations were notified in October 2020 with Oldham being awarded £0.147m. The funding is being deployed to engage additional staffing support and to secure accommodation to, for example, extend the A Bed Every Night initiative.

- d) Local Authority Compliance and Enforcement Grant (£0.155m)

On 8 October 2020 the Council was notified of its allocation of the Local Authority Compliance and Enforcement Grant at a value of £0.155m. The grant was



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received in full by the Council on 28 October 2020. The Council is using this funding allocation in accordance with Government guidance to cover additional staffing costs in support of:

- Measures to aid public and business awareness and understanding of regulations and guidance
- Undertaking enforcement of COVID-19 regulations and guidance

e) Test and Trace Support Payment Scheme (£0.245m)

Members will recall that Oldham was one of three Councils piloting a self-isolation payment initiative. This scheme was superseded by the national Test and Trace Support payments scheme which began on 28 September 2020 and will operate until 31 January 2021. Via this scheme, support is available for those told to self-isolate by the Test and Trace services because they have tested positive for coronavirus or have been in contact with someone who has tested positive.

Payments of £500 are available to those employed or self-employed earners also in receipt of means-tested benefits. Oldham Council has been allocated £0.129m for the main scheme and £0.077m for a discretionary scheme (enough to support 154 applications), as well as £0.039m to cover set up and on-going administrative costs

f) Contain Outbreak Management Fund (£1.897m)

As a result of the movement to Tier 3 COVID status from 23 October 2020, the Council has received a funding allocation of £8 per head of population from the Contain Outbreak Management Fund in the sum of £1.897m. This is additional funding to support local initiatives to cover such issues as:

- Targeted testing for hard-to-reach groups out of scope of other testing programmes
- Additional contact tracing

The deployment of this resource is still being determined.

g) Additional Dedicated Home to School and College Transport (£0.180m)

The Government has provided funding to the Greater Manchester Combined Authority /Transport for Greater Manchester as the Local Transport Authority) to support transport to school or college for pupils of compulsory school age and students in 16-19 education (those aged 16-18 and those aged 19 if they are on a course they started before their 19th birthday). Oldham's allocation of this funding is two £0.090m tranches of grant to support the costs of additional transport provision for the two halves of the Autumn half term.

h) COVID Winter Grant Scheme - £0.975m

The Government has announced the £170m COVID Winter Grant Scheme aimed at supporting those most in need with the cost of food, energy and water bills and

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other associated costs. Oldham Council has been notified of an allocation of £0.975m covering the period from 1 December 2020 until the end of March 2021.

The grant must be deployed so that:

- at least 80% of the total funding supports families with children, with up to 20% of the total funding to other types of households, including individuals.
- at least 80% of the total funding provides support with food costs, energy and water bills (including sewerage), with up to 20% on other items.

- . The Council is currently preparing proposals for the distribution of the grant.

### **Grant Support for Businesses – Small Business, Retail, Leisure, Hospitality and Discretionary Grants**

- 4.3 Members will also recall that Cabinet of 23 April was advised that the Council had been awarded grant funding of £54.738m 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.
- 4.4 The funding had been ringfenced but in accordance with accounting guidance, as the Council was acting as an agent in the administration of the SBGF and RLHGF grant regimes, these payments were to 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.
- 4.5 The grant schemes closed on 28 August and all final payments have been made and a full reconciliation undertaken. Government was notified in accordance with the deadline of 30 October that in total payments of £47.835m were made under the SBGF and RLHGF grant regimes to 4,230 businesses and £2.501m (the maximum allowable) of discretionary grants paid to 259 businesses. The Councils net budget will be amended by £2.501m to reflect the finalised payment of Discretionary Grants at month 7. The Council will repay the Government £4.402m representing the excess of grant received over that paid out.

### **Grant Support for Businesses - Local Restrictions Support Grant (LRSB)**

- 4.6 On 9 September, the Government announced that there would be further funding to support businesses legally required to close due to restrictions being put in place to manage coronavirus. Further changes were announced during October with variants on the Local Restrictions Support Grant (LRSB) introduced linked to the national lockdown from 5 November to 2 December 2020. As a consequence, there are five different funding regimes in place. These are:
- a) Local Restrictions Support Grant (Closed) – grants payable under this scheme are for businesses required to close as a result of the introduction of Tier 3 restrictions. The grant payments to eligible businesses cover the period from 23 October 2020 to 4 November

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- b) Local Restrictions Support Grant (Closed) Addendum – grants payable under this scheme are to businesses required to close as a result of the second national lockdown. The grant payments to eligible businesses cover the period 5 November to 2 December 2020
  - c) Local Restrictions Support Grant (Sector) – grants payable under this scheme are to businesses who have been required to remain closed since the first national lockdown ended. These grant payments to eligible businesses cover the period 1 to 4 November 2020
  - d) Local Restrictions Support Grant (Open) – grants payable under this regime are discretionary grants and are for businesses that have suffered losses as a result of reduced trading due to COVID-19 restrictions. The grant payments to eligible businesses cover the period 1 August to 4 November
  - e) Additional Restrictions Grant (ARG) – this grant regime is to support businesses impacted by COVID-19 and there is flexibility as to its use. The grant payments to eligible businesses will reflect the discretionary nature of the scheme.

4.7 The Council will act as an agent of Government for the grants at (a), (b) and (c) above. The grants at (d) and (e) are discretionary grants and the budget will be adjusted accordingly. To date, the Council has received £10.418m of additional funding to support the grant schemes. Of this sum, £3.517m is for LRSG (Closed, Closed Addendum and Sector), £1.884m for LRSG (Open) and £5.017m for the ARG. More funding will follow as required in accordance with the operating arrangements. The Council is following the detailed guidance issued by Government in the administration of these grant regimes and developing its approach to the two discretionary schemes.

4.8 At the end of the national 'lockdown' from 3 December 2020, it is expected that the LRSG Closed, Sector and Open grant schemes will be resumed and continue along with the ARG.

## **5 Schools**

5.1 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.

5.2 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

5.3 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).

- 5.4 The position in relation to the High Needs Block has been reviewed, despite the continued support from the Schools Block, the projected in-year deficit on the High Needs Block has increased by £0.149m to £0.151m. This contributes to a cumulative deficit forecast of £15.030m 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 £5.067m (as illustrated in the table below). This in turn is a significant element of the overall deficit on the DSG.

**Table 12 – DSG High Needs Block**

| <b>DSG Key Issues</b>   | <b>£000</b>     |
|---|-----------------|
| Original Budget Allocation including adjustment for imports/exports | 39,190          |
| Contribution from Schools Block (Schools Forum approval)            | 1,009           |
| <b>2020/21 Total Budget Available</b>                               | <b>40,199</b>   |
| Estimated Expenditure   | (40,350)        |
| <b>Projected in Year Deficit</b>                                    | <b>(151)</b>    |
| Deficit Brought Forward 01/04/2020                                  | (14,879)        |
| <b>Cumulative Deficit</b>   | <b>(15,030)</b> |
| 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           |
| <b>High Needs Block- Projected Deficit at 31/03/2021</b>            | <b>(5,067)</b>  |

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

- 5.5 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 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.
- 5.6 A report was presented to Schools Forum on 30 September 2020 showing the current projected deficit for 2020/21 as £5.785m. Further pressures and increased funding in

2021/22 show an initial forecast deficit at the end of 2021/22 of £3.999m, this would reduce to £2.915m with a further 0.5% transfer in 2021/22, for which Schools Forum approval will be required under the current regulations (the Council is currently engaging in a consultation process in this regard). The revised Recovery Plan is summarised in the table below:

**Table 13 - Overall DSG Position**

|  | 2020/21<br>£000 | 2021/22<br>£000 |
|--|-----------------|-----------------|
| <b>Balance/ Variance Brought Forward</b> | <b>(4,916)</b>  | <b>(5,785)</b>  |
| Movements Per Original Plan              | 1,048           | 5,081           |
| <b>Revised Forecast Variance</b>         | <b>(3,868)</b>  | <b>(704)</b>    |
| Estimated additional pressures           | (1,917)         | (7,608)         |
| Additional Funding                       |                 | 4,313           |
| <b>Revised Net Forecast Variance</b>     | <b>(5,785)</b>  | <b>(3,999)</b>  |
| If a 0.5% movement is agreed             |                 | 1,084           |
| <b>Revised Net Forecast Variance</b>     | <b>(5,785)</b>  | <b>(2,915)</b>  |

- 5.7 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. The projected deficit for 2021/22 includes the result of the announcement on 20 July of funding allocations for 2021/22. However, there is clearly some work to do to manage the DSG deficit over a realistic timeframe.
- 5.8 The Schools Forum meeting on 18 November 2020, 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 Recovery Plan. It also considered the proposed funding model for 2021/22 and the option to move 0.5% from the Schools Block to the High Needs Block, together with the outcome of the 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.

## **6 Housing Revenue Account (HRA)**

- 6.1 The current HRA position is presented in Table 14 and 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 reduced in year deficit of £1.572m, a net favourable movement of £1.948m. The variance is attributable to the slippage of several capital projects, which is partially offset by additional anticipated expenditure on dwellings for the disabled and other essential adaptations and increased contributions to General Fund activity.

**Table 14 - Housing Revenue Account Forecast Position**

| HRA Income & Expenditure Account    | Original Budget<br>£000 | Latest Forecast<br>£000 | Variance to Budget<br>£000 |
|-------------------------------------|-------------------------|-------------------------|----------------------------|
| HRA Balances Brought forward        | (21,750)                | (21,795)                | (45)                       |
| Deficit on HRA Services             | 3,520                   | 1,572                   | 1,948                      |
| <b>HRA Balances Carried Forward</b> | <b>(18,230)</b>         | <b>(20,223)</b>         | <b>(1,993)</b>             |

## 7 Collection Fund

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

**Table 15 - Collection Fund Forecast Position**

| Collection Fund Balance               | Council Tax<br>£000 | NDR<br>£000     | Total<br>£000   |
|---------------------------------------|---------------------|-----------------|-----------------|
| Balance Brought Forward               | (185)               | (3,110)         | (3,295)         |
| Surplus Released In Year              | 410                 | 1,060           | 1,470           |
| (Surplus)/ Deficit for the Year       | 3,278               | 29,295          | 32,573          |
| <b>Additional Section 31 Grant **</b> | <b>0</b>            | <b>(25,463)</b> | <b>(25,463)</b> |
| <b>Balance Carried Forward</b>        | <b>3,503</b>        | <b>1,782</b>    | <b>5,285</b>    |

\*\*Compensatory Section 31 Grant as referred to at Section 2.1.3

**Table 16 - Collection Fund – Share of Balances; Forecast Position**

| Collection Fund Balance   | Council Tax<br>£000 | NDR<br>£000  | Total<br>£000 |
|---|---------------------|--------------|---------------|
| Share - Oldham Council  | 2,973               | 1,764        | 4,737         |
| Share – Greater Manchester Combined Authority Mayoral Police and Crime Commissioner             | 369                 | -            | 369           |
| Share – Greater Manchester Combined Authority Mayoral General Precept (including Fire Services) | 161                 | 18           | 179           |
| <b>Total (Surplus)/Deficit</b>  | <b>3,503</b>        | <b>1,782</b> | <b>5,285</b>  |

- 7.2 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. In recent weeks it has become apparent that it is not only reduced collection rates that are affecting the Council's Collection Fund balances but also the increased amount of reliefs given thus reducing the overall tax base. This has been most evident in relation to Council Tax with an increased number of individuals becoming eligible for the Council Tax Reduction Scheme and subsequently benefitting

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from the £150 bill discount as made available by the Government through the award of the COVID-19 Hardship Fund Grant.

- 7.3 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. Given the pandemic, such benefits are likely to be limited in 2020/21.
- 7.4 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 £7.110m (£6.629m at month 5). 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 £5.285m of which the share for the Council is £4.737m.
- 7.5 The Secretary for State for Housing, Communities and Local Government has announced a new support package for local government with regard to Council Tax and Business Rates losses. The ability of Councils to spread collection fund deficits over three years rather than one has recently been confirmed, however, the full extent of the support will not be known until the Spending Review is announced on 25 November 2020.
- 7.6 The 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 will be applied to both Council Tax and non-domestic rates and will 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 this will therefore reduce the impact on the 2021/21 budget setting process.

## **8 Use of Reserves**

- 8.1 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.
- 8.2 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.
- 8.3 Within the Council's approved Reserves Policy for 2019/20 to 2020/21 are details regarding 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



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requires the Council to pay the GMCA the £2.047m in 2020/21 as approved in the month 3 monitoring report.

- 8.4 As outlined at section 2.1, a further £25.463m 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.
- 8.5 A previous monitoring report included a transfer to Earmarked Reserves of £0.084m to support the upgrading of crematorium equipment within People and Place and the use of £0.339m of the Growing Oldham Feeding Ambition within Communities and Reform.
- 8.6 At Quarter 2, requests for a further £0.583m of Use of Earmarked Reserves are included in this report. Therefore, the total planned use of reserves as at Quarter 2 is £10.271m (excluding the £25.463m and £0.084m transfers to reserves). When this is added to the £10.008m which underpins the 2020/21 budget, earmarked reserves of £20.279m and £0.399m of Revenue Grant Reserves (a total of £20.678m) have been already applied and requested in this financial year. The 2019/20 accounts were closed with £79.360m of Earmarked Reserves and £7.934m of Revenue Grant Reserves. Assuming new requests are approved, current levels (excluding the £25.463m in relation to the Collection Fund) are £59.165m and £7.595m although there are some commitments against the reserves.
- 8.7 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.

## **9 Flexible Use of Capital Receipts**

- 9.1 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.
- 9.2 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 £1.250m 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.

## **10 Conclusion**

- 10.1 The current projected position, after adjustment for reserves and receipt of additional Government funding to support COVID pressures, is an overall significant corporate

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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.

- 10.2 It is anticipated that the month on month financial monitoring reports will continue to reflect the outcome of such activities and show an improved financial forecast for 2020/21. The Director of Finance has now put in place appropriate measures to attempt to reduce the impact of the overspend which will include detailed reviews of all revenue and capital budgets.
- 10.3 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.
- 10.4 Members should note that any unaddressed in-year pressure will have to be balanced by the use of reserves. Compared to the position included in previous financial monitoring reports, the possible reserve requirement to balance 2020/21 has considerably reduced, however, the pandemic continues and the Councils response to a worsening position could result in an increase in spending.
- 10.5 Based on the current financial projection, the Council holds sufficient levels of reserves to address any financial shortfall in 2020/21, any utilisation of reserves will reduce the Council's financial resilience. Should there be a significant reduction in reserves, it would also limit the ability of the Council to support the implementation of programmes of service transformation and the setting of future years' budgets. Much therefore hinges on the course of the pandemic, the response the Council is required to make and the support received from Central Government.

## Planned Use of Reserves to 30 September 2020 - Quarter 2

| Reserve Name  | Balance as at 01 April 2020 | Forecast use/ creation of reserves 2020/21 - Month 5 | Forecast use of reserves 2020/21 - Quarter 2 | Anticipated Closing Balance 31 March 2021 | Reason for Use of Reserve   |
|---|-----------------------------|--|--|---|---|
|   | £000                        | £000   | £000   | £000                                      |   |
| <b>Earmarked Reserves</b>   |                             |  |  |   |   |
| <b>Directorate Reserves</b>   |                             |  |  |   |   |
| GMSF/Local Plan   | (200)                       | 0  | 200  | 0   | To fund the Local Plan and GM Spatial Framework in order to deliver the Local Plan and ensure that Oldham feeds into GM Spatial Planning  |
| Strategic Planning and Information                                    | (40)                        | 0  | 40   | 0   | The reserve is to support delivery of the Greater Manchester Spatial Framework (GMSF) and review of Oldham's Local Plan   |
| Devolution  | (140)                       | 0  | 20   | (120)                                     | To support the Devolution agenda  |
| Learning & Attainment Reserve   | (605)                       | 0  | 240  | (365)                                     | To fund the Oldham Education and Skills commission over a four year period  |
| Children's Reserve  |                             | 0  | 83   | 83  | To fund staffing support for the multi agency safeguarding hub  |
| Mercury Emissions   | 0                           | (84)   |  | (84)                                      | The transfer of a contribution made by via each cremation for the purchase of new Mercury abatement equipment   |
| <b>Fiscal Mitigation</b>  |                             |  |  |   |   |
| 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                 |                             | (25,463)   |  | (25,463)                                  | 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 |
| <b>Sub Total</b>  | <b>(13,602)</b>             | <b>(15,859)</b>                                      | <b>583</b>                                   | <b>(28,878)</b>                           |   |
| <b>Balancing Budget Reserve</b>                                       |                             |  |  |   |   |
| Corporate Reserve to balance budget                                   | (4,182)                     | 4,182  |  | 0   | As agreed by Council on 26 February   |
| Waste Levy Refund 2019/20   | (3,113)                     | 3,113  |  | 0   | 2020, £10.008m of Earmarked   |
| 2019/20 Business Rates Pilot Scheme Gain                              | (1,413)                     | 1,413  |  | 0   | Reserves are required to support the  |
| Business Rates Retention Returned Funding                             | (1,300)                     | 1,300  |  | 0   | 2020/21 budget  |
| <b>Sub Total Balancing Budget Reserve</b>                             | <b>(10,008)</b>             | <b>10,008</b>  | <b>0</b>                                     | <b>0</b>                                  |   |
| <b>Total Planned use/creation of Earmarked Reserves 2020/21</b>       | <b>(23,610)</b>             | <b>(5,851)</b>                                       | <b>583</b>                                   | <b>(28,878)</b>                           |   |
| <b>Revenue Grant Reserves</b>   |                             |  |  |   |   |
| Well North Growing Oldham Feeding Ambition                            | (339)                       | 339  |  | 0   | To continue the Growing Oldham Feeding Ambition project in 2020/21  |
| <b>Total Planned use of Revenue Grant Reserves 2020/21</b>            | <b>(339)</b>                | <b>339</b>   | <b>0</b>                                     | <b>0</b>                                  |   |
| <b>NET Use/Increase of Reserves Earmarked and Grant Reserves</b>      | <b>(23,949)</b>             | <b>(5,512)</b>                                       | <b>583</b>                                   | <b>(28,878)</b>                           |   |
| Represented by:   |                             |  |  |   |   |
| <b>Increase to Reserves</b>   | <b>0</b>                    | <b>(25,547)</b>                                      | <b>0</b>                                     | <b>(25,547)</b>                           |   |
| <b>Total Use of / Change to Reserves Earmarked and Grant Reserves</b> | <b>(23,949)</b>             | <b>20,035</b>  | <b>583</b>                                   | <b>(3,331)</b>                            | Use of a total of £20.678m of reserves in 2020/21. Movement of £25.547m to reserves (£25.463m to address the Collection Fund shortfall in 2021/22)  |

|   |                  |                 |                  | Appendix 2       |
|---|------------------|-----------------|------------------|------------------|
| FINANCING OF THE 2020/21 BUDGET AT QUARTER 2        | Original Budget  | Prior Months    | Additions to M06 | Revised Budget   |
|   | £'000            | £'000           | £'000            | £'000            |
| <b>Net Expenditure Budget</b>                       | <b>(233,524)</b> |                 |                  | <b>(233,524)</b> |
| <b>Financed by:</b>                                 |                  |                 |                  |                  |
| Business Rates Top-up Grant                         | (41,048)         | (606)           |                  | (41,654)         |
| Grants in Lieu of Business Rates                    | (11,230)         | (25,075)        | (391)            | (36,696)         |
| 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)          |
| Opportunity Area Grant (Year 4)                     |                  | (1,580)         |                  | (1,580)          |
| 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                                      |                  | (520)           | (146)            | (666)            |
| Extended rights to Free Travel                      |                  | (38)            |                  | (38)             |
| Transport Grant                                     |                  | (9)             |                  | (9)              |
| SEND Regional Co-ordinator                          |                  | (24)            |                  | (24)             |
| New Burdens Funding - Business Grants Round 1       |                  | (170)           |                  | (170)            |
| Local Housing Allowance Changes                     |                  | (2)             |                  | (2)              |
| Local Reform and Community Voices                   |                  | (161)           |                  | (161)            |
| War Pensions Disregard                              |                  | (45)            |                  | (45)             |
| Local Authority Emergency Assistance Grant          |                  | (361)           |                  | (361)            |
| COVID-19 Tranche 2                                  |                  | (6,531)         |                  | (6,531)          |
| COVID-19 Tranche 3                                  |                  | (2,466)         |                  | (2,466)          |
| COVID-19 Tranche 4                                  |                  |                 | (6,058)          | (6,058)          |
| Sales Fees and Charges Grant Compensation           |                  |                 | (1,282)          | (1,282)          |
| Wellbeing for Education Return                      |                  | (38)            |                  | (38)             |
| Staying Put Grant                                   |                  |                 | (116)            | (116)            |
| External Personal Adviser Duty Implementation Grant |                  |                 | (8)              | (8)              |
| <b>Total Government Grant Funding</b>               | <b>(74,935)</b>  | <b>(37,761)</b> | <b>(8,001)</b>   | <b>(120,698)</b> |
| 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)         |
| <b>Total Locally Generated Income</b>               | <b>(148,581)</b> |                 |                  | <b>(148,581)</b> |
| <b>Total Grant and Income</b>                       | <b>(223,516)</b> | <b>(37,761)</b> | <b>(8,001)</b>   | <b>(269,279)</b> |
| Balance to be addressed by Use of Reserves          | (10,008)         |                 |                  | (10,008)         |
| <b>Total Financing</b>                              | <b>(233,524)</b> | <b>(37,761)</b> | <b>(8,001)</b>   | <b>(279,288)</b> |

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