

Report to Cabinet

Revenue Monitor and Capital Investment Programme 2020/21 Month 7 – October 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

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Reason for Decision

The report provides Cabinet with an update on the Council's 2020/21 forecast revenue budget position at Annex 1 and the financial position of the capital programme as at 31 October 2020 (Month 7) 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 £8.504m 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 from the Ministry for Housing, Communities and Local Government (MHCLG). Of this sum, £7.641m was received in 2019/20 and held in a specific Earmarked Reserve to underpin the 2020/21 budget and receipts in 2020/21 of £15.055m COVID Emergency Funding, of which £8.928mm is new funding introduced at month 7, including £1.282m for loss of income in relation to sales, fees and charges under the income compensation scheme. In Appendix 1 to the report, the full Government grant is presented as a single sum so that it highlights the level of variation across all Council budgets, given that there is 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 to support for businesses and additional support for the Council, which along with the rest of Greater Manchester moved back into Tier 3 (very high) lockdown restrictions on 2 December following the end of the four week national lockdown which began on 5 November 2020.

As this financial monitoring report reflects the financial position at Month 7, 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, and the Council is clearly operating in an uncertain and volatile environment, it is anticipated that by the year end, the outturn deficit should be reduced.

However, it is important to note the worsening position in relation to the course of the pandemic and the continued stringent, Tier 3 restrictions re-imposed in Oldham following the end of the new national lockdown. Financial pressures on the Council could increase even further 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 cumulative deficit of £6.008m directly as a result of COVID-19. This will have a budgetary impact in 2021/22. The DSG continues to be an area which is facing a financial challenge with a revised, projected deficit of £6.186m at the end of the current financial year. Action is being taken with the aim of reducing the cumulative deficit and bringing the DSG towards a balanced position.

Capital Position

The report outlines the most up to date capital spending position for 2020/21 to 2024/25 for approved schemes. The revised capital programme budget for 2020/21 is £90.121m at the

close of Month 7, a net decrease of £57.511m from the original budget of £147.632m. Actual expenditure to 31 October 2020 was £47.508m (52.72% of the forecast outturn).

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

Recommendations

That Cabinet approves the:

1. Forecast revenue outturn for 2020/21 at Month 7 being a £8.504m adverse variance having regard to the action being taken to manage expenditure
2. Forecast positions for the Dedicated Schools Grant, Housing Revenue Account and Collection Fund
3. Use of reserves as detailed in Appendix 1 to Annex 1
4. Revised capital programme for 2020/21 to 2024/25 as at Month 7 as presented in Annex 2.

Revenue Monitor and Capital Investment Programme 2020/21 Month 7 – October 2020

1 Background

1.1 The Authority's 2020/21 revenue budget and capital programme was approved by Council on 26 February 2020. Under established budget procedures, all services are required to monitor and review their approved revenue and capital budgets during the financial year. Reporting to Cabinet in the past has been on a quarterly basis, however, as a result of the impact of COVID-19 and the significant change and challenge to the financial position of the Council, financial monitoring reports will be presented to Cabinet on a monthly basis.

1.2 As part of the budget monitoring process, the forecast year-end position for revenue and capital has been prepared by all services as follows:

- a) The revenue forecast is based on a comparison of profiled budgets to the actual position as at the end of Month 7 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 7 submission made to the MHCLG on 6 November.
- 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 Government's re-introduction of a three tier alert level system following the lifting of the national 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 £8.504m, a significant increase, mainly, but not exclusively as a result of additional COVID related expenditure, offset by the return of resources from the GMCA. 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 £32.790m, this reduces to £6.729m with the application of the £23.978m un-ringfenced Government COVID related grant funding received to date and the £2.083m refunded by the GMCA. The

non-COVID related pressures are primarily in Community Health and Adult Social Services (£1.767m) and Children's Services (£3.113m).

- 2.2 The total Portfolio variances are £34.565m as detailed in Annex 1 at Tables 1 and 2 including COVID (£32.790m) and non-COVID (£1.775m) pressures. This is comprised of People and Place reporting an adverse variance of £5.171m (£5.851m COVID related), Community Health and Adult Social Care reporting a pressure of £10.216m (£8.449m COVID related) and Children's Services reporting an adverse variance of £8.490m (£5.377m COVID related). The Services within Communities and Reform and Commissioning are similarly reporting adverse variances of £2.216m (£2.909m COVID related) and £0.687m (£1.137m COVID related) respectively. There is a small favourable variance of £0.203m within Chief Executive, with a £0.579m COVID related pressure. Capital, Treasury and Corporate Accounting is reporting a pressure of £7.988m of this £8.488m is COVID related with an offsetting £0.500m favourable business as usual variance resulting in the main from reduced capital financing requirements.
- 2.3 However, taking an approach to allocating the grant and GMCA resources 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 (SFC) £000	Apportion Grant Funding (MHCLG) £000	Apportion GMCA Refund £000	COVID Costs Net of Funding £000	Business as Usual £000	Total Variance £000
People and Place	5,851	(685)	(3,205)	(464)	1,497	(680)	817
Community Health and Adult Social Care	8,449	(153)	(8,296)		0	1,767	1,767
Children's Services	5,377	(198)	(3,213)	(465)	1,501	3,113	4,614
Communities and Reform	2,909	(49)	(1,774)	(257)	829	(693)	136
Commissioning	1,137	(159)	(607)	(88)	283	(450)	(167)
Chief Executive	579	(36)	(337)	(49)	157	(782)	(625)
Capital, Treasury and Corporate Accounting	8,488		(5,266)	(762)	2,460	(500)	1,960
Total	32,790	(1,280)	(22,698)	(2,083)	6,729	1,775	8,504

- 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 local and national position in relation to COVID-19 is worsening and the resultant increase in expenditure/ loss of income has had a detrimental impact on the financial position with the current forecast representing a significant increase on those reported at Month 6. The fluctuations in the month-on-month outturn position highlights the

volatility and potential fragility of the Council in relation to the pandemic and the difficulty in reporting a consistent and settled financial position. Clearly 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, all of which has been used to offset the overall pressure arising from the pandemic. There is also a new scheme which will allow Council Tax and Business Rates deficits to be repaid over 3 years instead of one and additional grant funding is expected to support irrecoverable Collection Fund losses.
- 2.7 The Government has announced further support in the form of a range of unringfenced revenue grants to assist the Council with its response to COVID, a full schedule of which is provided in section 4.2 of Annex 1.
- 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 sections 4.2 to 4.7 of Annex 1.
- 2.9 As this financial monitoring report reflects the financial position at Month 7, it must 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. It is also anticipated that the additional funding mentioned in para 2.6 will help support the Council's finances in relation to Collection Fund losses.
- 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 £7.833m, which produces a forecast cumulative deficit outturn of £6.008m. 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 £6.186m now being forecast for 2020/21, as reported to the Schools Forum on 18 November 2020. Schools Forum also received an update on the DSG Recovery Plan and the outcome of the schools funding formula consultation, and recommended, for 2021/22, a further 0.5% movement between the Schools Block and the High Needs Block as part of the DSG Recovery Plan, the formal approval of which will be considered by Cabinet at its meeting on 14 December.
- 2.12 The original approved capital programme for 2020/21 totalled £147.632m. The revised capital programme as at Month 7 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 £90.121m, a slight increase of

£0.175m compared to the previous month. Actual expenditure at Month 7 was £47.508m (52.65% 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.
- 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 - 19 - 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 Month 7 – October 2020

Appendix 1 Month 7 - Planned Transfers to/ from Reserves
Appendix 2 Financing of the 2020/21 Budget at Month 7

Annex 2 Capital Investment Programme Report 2020/21 Month 7 – October 2020

Appendix A SUMMARY – Month 7 - Corporate Services
Appendix B SUMMARY – Month 7 - Children’s Services
Appendix C SUMMARY – Month 7 - Communities and Reform
Appendix D SUMMARY – Month 7 - Community Health & Adult Social Care
Appendix E SUMMARY – Month 7 - Housing Revenue Account (HRA)
Appendix F SUMMARY – Month 7 - People and Place
Appendix G SUMMARY – Month 7 - Proposed Variations