

Report to Cabinet

Revenue Monitor and Capital Investment Programme 2020/21 Month 8 – November 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 30 November 2020 (Month 8) 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 £8.330m 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 £24.902m unringfenced Government COVID related grant funding from the Ministry for Housing, Communities and Local Government (MHCLG), of which £7.641m was received in 2019/20 and held in a specific Earmarked Reserve to underpin the 2020/21 budget. There has been actual, in-year, receipts of £16.337m of COVID Emergency Funding, including £1.282m for the first claim for loss of income in relation to sales, fees and charges under the income compensation scheme (SFC). In addition, provision is made for the second SFC claim, calculated as £0.924m for the period August to November, which has been submitted to the MHCLG but not yet formally agreed for payment. The overall pressure is further offset by a refund from the GMCA for waste disposal contributions. In Appendix 1 to the report, both the full Government grant and the refund are presented as single sums so that it highlights the level of variation across all Council budgets, given that there is still insufficient resource to fully offset the adverse variance. However, this summary report presents the position after applying the Government grant and the refund across Portfolio areas.

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 to provide additional support for the Council. Further grant funding and external contributions are expected, as a result, both the overall financial position and the application of Government grant will therefore change during the remainder of the financial year.

As this financial monitoring report reflects the financial position at Month 8, 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. As previously mentioned, there is an expectation of increased grant funding and external contributions which, based on current projections should bring the Council to a balanced position by the year end.

However, it is important to note the worsening position in relation to the course of the pandemic, potentially made more challenging firstly by the Authority, along with rest of Greater Manchester being placed under Tier 4 Stay at Home restrictions from 31 December 2020 and then the full national lockdown effective from 5 January 2021. Financial pressures on the Council could increase even further and therefore, 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 an in-year, deficit of £7.110m 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 £4.559m 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 £81.013m at the

close of Month 8, a net decrease of £66.619m from the original budget of £147.632m. Actual expenditure to 30 November 2020 was £50.566m (62.42% 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.

The Month 8 Revenue Monitor and the Capital Investment Programme 2020/21 report was presented to the Overview and Scrutiny Performance and Value for Money Select Committee on 28 January 2021 to accompany the suite of 2021/22 budget reports. The Select Committee was content to note the report and commend it to Cabinet for approval.

Recommendations

That Cabinet approves;

1. The forecast revenue outturn for 2020/21 at Month 8 being a £8.330m adverse variance having regard to the action being taken to manage expenditure
2. The forecast positions for the Dedicated Schools Grant, Housing Revenue Account and Collection Fund
3. The use of reserves as detailed in Appendix 1 to Annex 1
4. The revised capital programme for 2020/21 to 2024/25 at Month 8 as presented in Annex 2.

Revenue Monitor and Capital Investment Programme 2020/21 Month 8 - November 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 have and 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 8 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 8 submission made to the MHCLG on 11 December.
 - 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, firstly the Government's introduction of a four tier alert system and as of 31 December 2020 the Councils inclusion therein, followed by the national lockdown on 5 January 2021, 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 £8.330m, a decrease of £0.174m compared to the £8.504m reported at Month 7. 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 £33.802m, this reduces to £8.901m with the application of the £24.902m un-ringfenced Government COVID related grant funding received to date. The non-COVID related pressures total £1.512m after the application of £2.083m of waste disposal levy resources refunded by the GMCA and are primarily in Community Health and Adult Social Services (£1.560m) and Children's Services (£3.311m).

2.2 The total Portfolio variances are £35.315m as detailed in Annex 1 at Tables 1 and 2 including COVID (£33.803m) and non-COVID (£1.512m) pressures. This is comprised of People and Place reporting an adverse variance of £4.676m (£5.513m COVID related), Community Health and Adult Social Care reporting a pressure of £10.232m (£8.672m COVID related) and Children's Services reporting an adverse variance of £8.851m (£5.540m COVID related). The Services within Communities and Reform and Commissioning are similarly reporting adverse variances of £2.077m (£2.962m COVID related) and £0.843m (£1.176m COVID related) respectively. There is a small favourable variance of £0.276m within Chief Executive, with a £0.528m COVID related pressure. Capital, Treasury and Corporate Accounting is reporting a pressure of £8.912m of this, £9.412m 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 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	Council Costs - COVID-19 Response £000	Apportion Grant Funding (SFC) £000	Apportion Grant Funding (MHCLG) £000	COVID Costs Net of Funding £000	Apportion GMCA Refund £000	Business as Usual £000	Total Variance £000
People and Place	5,513	(1,151)	(2,695)	1,667	(390)	(837)	440
Community Health and Adult Social Care	8,672	(358)	(8,314)	-	-	1,560	1,560
Children's Services	5,540	(328)	(3,220)	1,992	(466)	3,311	4,837
Communities and Reform	2,962	(87)	(1,776)	1,099	(257)	(885)	(43)
Commissioning	1,176	(232)	(583)	361	(84)	(333)	(56)
Chief Executive	528	(48)	(297)	183	(43)	(804)	(664)
Capital, Treasury and Corporate Accounting	9,412	-	(5,813)	3,599	(843)	(500)	2,256
Total	33,803	(2,204)	(22,698)	8,901	(2,083)	1,512	8,330

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 continuing 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 and loss of income continues to have a detrimental impact on the financial position of the Council. 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 national lockdown and the uncertain timeline for the course of the pandemic. The month 9 financial monitoring report 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 £24.902m, now including the first two claims 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

(impacting on the 2021/22 budget) and additional grant funding is expected to support irrecoverable Collection Fund losses of £1.000m (this is to be used to support the 2021/22 budget).

- 2.7 The Government has issued 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 4.1 of Annex 1.
- 2.8 Additional support for business has been received 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 Clearly the forecast deficit of £8.330m is a concern with 4 months of the financial year remaining. It is expected, however, that in addition to the continued management actions to reduce expenditure, increased funding will be received from the Government with contributions expected from other partners (GMCA and Oldham CCG) which will, by the year end, have the effect of producing at least a balanced position. The exact contributions have yet to be finalised and have not therefore been included in the projections. The month 9 monitoring report will set out the estimated projected outturn position including these additional funds.
- 2.10 Information on the latest position of the Dedicated Schools Grant (DSG), Housing Revenue Account (HRA) and Collection Fund is also outlined in the report. There are currently no significant issues of concern in relation to the HRA, however the Collection Fund, directly as a result of COVID-19, is forecasting an increased in-year deficit of £7.110m (£6.008m at month 7).
- 2.11 The DSG continues to be an area which is facing a financial challenge with a projected, albeit reduced deficit of £4.559m (£6.186m at month 7) now being forecast for 2020/21, as reported to the Schools Forum on 13 January 2021, this was incorporated in an update on the DSG Recovery Plan which forecasts a small DSG surplus being achieved in 2023/24, further detail is provided in section 5 of Annex 1.
- 2.12 The original approved capital programme for 2020/21 totalled £147.632m. The revised capital programme as at Month 8 reflecting the outcome of the annual review of the capital programme and therefore taking account of approved carry forwards, approved new funding, new schemes and variations and proposed variations/ re-phasing. This gives projected revised expenditure of £81.013m, a decrease of £9.108m compared to the previous month. Actual expenditure at Month 8 was £50.566m (62.42% 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 this report are;
- a) to agree the forecast revenue and capital positions presented in the report including proposed changes
 - b) to agree some of the forecasts and changes included in the report
 - c) not to agree any of the forecasts and changes included in the report

4 Preferred Option

4.1 The preferred option is that Cabinet approves option 3.1 (a) above; being all of the forecast revenue and capital positions presented in the report and Annexes 1 and 2.

5 Consultation

5.1 Consultation has taken place with the services within the Council, the Director of Finance and the Overview and Scrutiny Performance and Value for Money Select Committee at its meeting on 28 January 2021, where the Select Committee noted the report and commended it to Cabinet for approval.

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 - 20 – 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 8 – November 2020

Appendix 1 Month 8 - Planned Transfers to/ from Reserves

Appendix 2 Financing of the 2020/21 Budget at Month 8

Annex 2 Capital Investment Programme Report 2020/21 Month 8 – October 2020

Appendix A SUMMARY – Month 8 - Corporate Services

Appendix B SUMMARY – Month 8 - Children's Services

Appendix C SUMMARY – Month 8 - Communities and Reform

Appendix D SUMMARY – Month 8 - Community Health & Adult Social Care

Appendix E SUMMARY – Month 8 - Housing Revenue Account (HRA)

Appendix F SUMMARY – Month 8 - People and Place

Appendix G SUMMARY – Month 8 - Proposed Variations