

# **REVENUE BUDGET MONITORING REPORT 2020/21**

## **Month 8 November 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 Month 8 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 8 position reported to the Ministry of Housing, Communities and Local Government (MHCLG) on 11 December 2020 and the first two claims 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). The first claim (£1.282m) has been accepted and paid in full by the MHCLG on 27 November 2020, the second claim for the four month period August to November has been calculated as £0.924m and submitted for payment.

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, made even more speculative given the Council, along with the remainder of Greater Manchester was, on 31 December 2020, initially placed under the new, more stringent Tier 4 (stay at home) restrictions which was closely followed by the national lockdown implemented on 5 January 2021. The completion of the returns and the forecasting of the likely impact of the pandemic on the Council's budget is based on both the actual expenditure and the income loss recorded to date but also relies on a series of assumptions, particularly about the phasing of the impact over the rest of the financial year. The estimates are therefore expected to change throughout the remainder of the financial year.

### **2 Current Position**

#### **2.1 Summary Position**

2.1.1 The current net revenue budget of £292.838m represents an increase of £59.314m against the originally approved budget and an increase of £3.418m against the financing that was available at Month 7. The increase from the previously reported position is due to the receipt of an additional £0.155m of School Improvement Monitoring and Brokerage Grant, £0.076m of New Burdens funding to support the administration of Business Grants, £0.065m for Discretionary Business Grants

payments and anticipated grants of £0.924m for lost sales fees and charges and £1.000m for irrecoverable Collection Fund losses. The balance of £1.198m 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 Month 8 is a projected overspend of £8.330m, a decrease of £0.174m compared to the £8.504m reported at Month 7. 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 Month 8 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 Transfer To/ From Reserves	Variance Month 8	Variance Month 7
	£000	£000	£000	£000	£000
People and Place	61,947	66,834	(211)	4,676	5,171
Community Health and Adult Social Care	63,640	73,899	(27)	10,232	10,216
Children's Services	49,691	59,239	(697)	8,851	8,490
Communities and Reform	34,515	37,884	(1,295)	2,077	2,216
Commissioning	9,802	12,692	(2,047)	843	687
Chief Executive	7,712	7,437	-	(276)	(203)
Capital, Treasury and Corporate Accounting	12,347	21,261	-	8,912	7,988
Discretionary Business Support Grants	9,467	9,467	-	-	-
Covid-19 Funding	17,261	-	(7,641)	(24,902)	(23,978)
Additional Section 31 Grant - Business Rate Reliefs	25,456	-	25,456	-	-
Additional Section 31 Grant - Irrecoverable Losses	1,000	-	1,000	-	-
Resources Returned by External Partners	-	(2,083)	-	(2,083)	(2,083)
<b>NET EXPENDITURE</b>	<b>292,838</b>	<b>286,630</b>	<b>14,538</b>	<b>8,330</b>	<b>8,504</b>
<b>FINANCED BY:</b>	<b>(292,838)</b>	<b>(292,838)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>NET FORECAST VARIANCE</b>	<b>-</b>	<b>(6,208)</b>	<b>14,538</b>	<b>8,330</b>	<b>8,504</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 £14.538m is an adverse variance of £8.330m. A detailed list of the approved and planned use of reserves at month 8 can be found at Appendix 1. The key issues to note are:

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- a) As previously reported, the movement in reserves includes the transfer to reserves of the Section 31 Grant Funding (£25.456m) for Business Rate Relief compensation which will be used to support the 2021/22 budget.
  - b) At month 8 a new Section 31 grant is anticipated to compensate the Council for irrecoverable Collection Fund losses. The details of this were initially announced in December 2020 but were included within the February 2021: COVID-19 Funding for Local Government for 2021 to 2022 Policy Paper presented with the Final Local Government Finance Settlement. A prudent estimate of grant of £1.000m is anticipated. As the Collection Fund loss will not impact on the finances of the Council until 2021/22, the £1.000m will be carried forward as a reserve and used to support the 2021/22 budget.
  - c) The transfers to reserves are offset by £7.641m of un-ringfenced COVID-19 funding received from Central Government at the end of 2019/20. This 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 and an estimated £0.924m from the second SFC return brings the total Government unringfenced COVID support to £24.902m.

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 continually evolving arrangements to mitigate the spread of COVID-19 that commenced on 23 March 2020. These additional in-year COVID related pressures, totalling a net £8.901m 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 slight increase of £0.089m on the amount included in the Month 7 monitoring report. Reductions in People and Place and Chief Executives are offset by increases in the remaining Portfolios. Conversely business as usual pressures have decreased by £0.263m from £1.775m to the current estimate of £1.512m, after the application of £2.083m of waste disposal levy resources refunded by the GMCA. Reductions across the majority of Portfolios are offset by increases in Children's Services and Commissioning. Table 2 below analyses the variance between COVID-19 and 'Business as Usual' operational variances.

**Table 2 - Analysis of Variances**

	Variance Month 8 £000	Council COVID 19 Costs included in forecasts £000	Apportion GMCA Refund £000	Business as Usual £000
People and Place	4,676	5,513	(390)	(837)
Community Health and Adult Social Care	10,232	8,672	-	1,560
Children's Services	8,851	5,540	(466)	3,311
Communities and Reform	2,077	2,962	(257)	(885)
Commissioning	843	1,176	(84)	(333)
Chief Executive	(276)	528	(43)	(804)
Capital, Treasury and Corporate Accounting	8,912	9,412	(843)	(500)
COVID-19 Funding	(24,902)	(24,902)	-	-
Resources Returned by External Partners	(2,083)	-	-	-
<b>Total</b>	<b>8,330</b>	<b>8,901</b>	<b>(2,083)</b>	<b>1,512</b>

- 2.1.5 The People and Place Portfolio has a reported a pressure of £4.676 compared to £5.171m at Month 7, a decrease of £0.495m with a proposed net use of reserves totalling £0.211m. There is favourable business as usual operational variance of £0.837m, an improvement compared to the previously reported favourable outturn of £0.680m. The major movement is a £0.338m decrease in the predicted costs relating to COVID-19; the anticipated pressure is now estimated to be £5.513m compared to that of £5.851m at Month 7.
- 2.1.6 Community Health and Adult Social Care (CHASC) is reporting an overspend of £10.232m, including a £0.027m use of reserves. An increase in COVID-19 related expenditure of £0.223m and a decrease in 'Business as Usual' expenditure of £0.207m makes up the minor overall variance increase of £0.016m compared to that reported at Month 7. The adverse variance includes £8.672m of COVID-19 expenditure which is related in part to the demand for care packages following hospital discharges which it is anticipated will increase due to the second wave of the pandemic and which is now funded under revised guidance.
- 2.1.7 Children's Services is forecasting an adverse variance of £8.851m of which £5.540m is related to COVID-19 and with a proposed £0.697m use of reserves. This is an increase of £0.361m compared to the previously reported £8.490m. There are major pressures within the two main service areas: Education, Skills and Early Years; at £1.022m and Children's Social Care; at £7.931m.
- 2.1.8 Communities and Reform is reporting an adverse variance of £2.077m, including £2.962m of COVID related pressures offset by a favourable operational variance of £0.885m. The Commissioning Portfolio is reporting an overall adverse variance of £0.843m. The total variance is comprised of pressures of £0.512m in Procurement and £0.331m in Finance.
- 2.1.9 The Chief Executive Portfolio is reporting a favourable variance of £0.276m, whilst Capital, Treasury and Corporate Accounting is showing an increased adverse position

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of £8.912m, a COVID pressure of £9.412m is offset by a favourable operational variance of £0.500m.

- 2.1.10 Government un-ringfenced funding received to date has increased to £24.902m with the inclusion of a second SFC submission of £0.924m. Additional funding is expected, at a minimum there will be a further 2020/21 SFC return for the final four months of the financial year, which it is anticipated will again reduce the in-year deficit. Additional funding/ reimbursements are expected from the GMCA, of which the £2.083m received at the end of October has been forecast to offset the increased 'business as usual' expenditure reported in the current period. A more detailed analysis of financial performance and the major variances can be found by Portfolio in Section 3.
- 2.1.11 It is important to note that as a result of COVID-19 the following 2020/21 approved budget reductions are still 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 unchanged and are included within the forecasts.

- 2.1.12 As previously reported, in view of the continued projected adverse variance, management action has been initiated across all service areas to review and challenge planned expenditure and to maximise income, in addition the recruitment of staff to vacant posts and significant items of expenditure continue to be monitored via a corporate process. Such service and corporate actions will continue with the aim of bringing expenditure nearer to the resources available. In addition, further measures have been 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. There has been a slight reduction in the forecast deficit from the previous month. The local and national position in relation to COVID-19 is worsening, firstly with the Council along with the rest of GM being placed in the newly created 'Tier 4' and then the national lockdown, effective from 5 January 2021, all of which, notwithstanding the impact of the national vaccine programme, imposes even tighter restrictions and this has potential to have an even more damaging and seriously 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.
- 2.1.14 Alongside planned management actions to reduce the overspend, further grant is expected from the MHCLG for re-imbursement of COVID related expenditure and loss of sales, fees and charges. A second SFC return was submitted in late December 2020, however, although not yet paid by the MHCLG the claim has been included in the COVID income of £24.902m incorporated in the month 8 position. Obviously any additional grant received will further improve the 2020/21 financial position, this

together with a potential easing of restrictions, particularly with the roll out of a vaccine, will hopefully lead to an improvement in the operating environment and will contribute to the Council being able to report a lower adverse position at the end of the financial year

2.1.15 The current financial monitoring position is still a major concern as it impacts on the overall financial resilience of the Council. It is evident that there is still time for the financial position to continue to improve and for management action to be effective but given the volatility of the COVID-19 position there is no certainty in this regard. Changes are therefore expected in the remaining months and Cabinet will receive the month 9 financial monitoring report in March 2021.

### 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 reserves for the Portfolio.

**Table 3 – People and Place - Forecast Outturn**

	Revised Budget £000	Forecast £000	Use of Reserves £000	Variance £000
Economic Development	1,542	6,262	(295)	4,425
Enterprise and Skills	777	1,425	-	648
Environmental Services	54,110	53,388	84	(638)
ICT	4,152	4,456	-	304
Customer Services	1,366	1,303	-	(63)
<b>Total Forecast Net Expenditure</b>	<b>61,947</b>	<b>66,834</b>	<b>(211)</b>	<b>4,676</b>

#### Summary

3.1.2 The forecast outturn at Month 8 for the People and Place portfolio, including all pressures associated with COVID-19 and use of reserves of £0.211m, is an overspend of £4.676m.

#### Economic Development

3.1.3 Economic Development Directorate is currently forecasting a pressure of £4.425m compared to £4.448m at Quarter 2, including a £0.295m 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 £1.417m. Lost income as a result of the COVID-19 pandemic is partially offset by staffing vacancies and reduced food costs.
- The Car Parking budget is also showing a pressure of £0.929m which relates to the loss of income as a result of COVID-19

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- There is an estimated pressure against the Corporate Landlord/ Investment Estate totalling £1.723m, of which £1.109m relates to COVID-19 with the remainder relating to pre-existing issues in the area
  - The Strategic Housing Service is projecting a pressure of £0.300m due to additional accommodation costs being incurred as a result of COVID-19
  - The Planning Department is projecting a pressure of £0.056m 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 outlined in 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 8 monitoring position.

#### Enterprise and Skills

3.1.5 The Enterprise and Skills Directorate is forecasting a pressure of £0.648m. The Town Centre area, which includes the Market Service is currently forecasting an overall loss for the financial year of £0.775m 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 £0.127m across the Service area.

#### Environmental Services

3.1.6 The Environmental Services area is forecasting a £0.638m 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. Variances in the overall GM Waste Disposal budget will be managed by the Combined Authority and the pressure has therefore been excluded from the Directorate forecast. Variances triggering the overall underspend include:

- Public Protection is showing a pressure totalling £0.267m, of which £0.142 relates to loss of income due to COVID-19
- The Highways Operations (Council) is showing a pressure of £0.012m of which £0.093m is lost income as a result of COVID-19
- Waste Management is showing an underspend of £0.159m with £0.048m of additional COVID-19 costs being offset by underspends in staffing vacancies
- Underspends totalling £0.554m consisting of £0.249m in Highways Operations (Unity) and £0.305m in Street Lighting (S.38 / S.278 inspection fees).
- Environmental Services Management is forecast to underspend by £0.204m following a number of requests for voluntary redundancy.

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## ICT and Customer Services

- 3.1.7 ICT is forecasting an overspend of £0.304m, £0.415m of which is attributable to COVID-19 costs. The overspend is being offset by vacancies within the service. 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 Month 8.

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

	Revised Budget £000	Forecast £000	Use of Reserves £000	Variance £000
Commissioning	21,859	21,387	-	(472)
Community Business Services	1,664	1,460	-	(204)
Community Health & Social Care	28,003	27,782	-	(221)
Director Adult Social Care	(8,916)	(9,348)	(27)	(459)
Learning Disability	12,149	14,560	-	2,411
Mental Health	7,847	8,412	-	565
Safeguarding	1,034	974	-	(60)
Adult Social Care - COVID 19	-	8,672	-	8,672
<b>Total Forecast Net Expenditure</b>	<b>63,640</b>	<b>73,899</b>	<b>(27)</b>	<b>10,232</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 £10.232m, including a £0.027m use of reserves, the position is virtually unchanged to that reported at Month 7. The predominant factor contributing to the overspend is the COVID-19 related expenditure which has increased by £0.223m since month 7 and now totals £8.672m, in the main attributable to an increase in care package costs for patients discharged from hospital following the second wave of the pandemic and the subsequent tightening of restrictions, which is likely to be perpetuated by the region being classified in Tier 4 at the end December and the subsequent national lockdown in January. The previously reported changes to the arrangements to recharge costs to support hospital discharge to the NHS are also now having an impact on the costs to be borne by the Council and may continue to do so. For this reason the financial forecasts may therefore be subject to further revision.



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- 3.2.3 'Business as usual' variances have reduced by £0.207m against that reported at Quarter 2 and are currently forecast to overspend by £1.560m.

#### Commissioning & Community Business Services

- 3.2.4 Commissioning is forecasting an underspend of £0.472m 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 £0.204m underspend for the year due to vacant posts.

#### Community Health & Social Care

- 3.2.5 This area is forecasting an underspend of £0.221m; several higher cost packages of care have become fully funded by Continuing Health Care NHS resources due to increased clinical needs. Whilst this is a volatile area of the service, the favourable movement of the forecasts during the financial year has allowed budgets totalling £0.510m to be re-aligned to the Learning Disability budget to more accurately support the most acute area of demand and cost pressure.

#### Director of Adult Social Care

- 3.2.6 Director Adult Social Care is continuing to forecast a favourable variance of £0.459m due to the confirmed 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 £2.411m compared to £2.435m at Month 7, a slight favourable variance of £0.024m. Additional budget which has been re-aligned from Community Health and Social Care has, in part, assisted to reduce the overspend within this area. The revised 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 £0.565m, a favourable movement of £0.019m compared to that reported at Month 7. 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.

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## Safeguarding

- 3.2.9 Safeguarding is reporting an underspend of £0.060m; no change to the variance reported at Month 7.

## 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 the 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**

	Revised Budget £000	Forecast £000	Variance £000
Community Health and Adult Social Care	61,360	71,591	10,231
Public Health	18,114	17,985	(129)
Children and Families	41,550	49,481	7,931
<b>Total</b>	<b>121,024</b>	<b>139,057</b>	<b>18,033</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**

	Revised Budget £000	Forecast £000	Use of Reserves £000	Variance £000
Children's Social Care	35,069	43,080	(80)	7,931
Education, Skills & Early Years	11,135	12,719	(562)	1,022
Preventative Services	3,526	3,479	(55)	(102)
Schools	(39)	(39)	-	-
<b>Total Forecast Net Expenditure</b>	<b>49,691</b>	<b>59,239</b>	<b>(697)</b>	<b>8,851</b>

### Summary

3.3.2 The Portfolio has a projected overspend of £8.851m, an increased adverse movement of £0.361m compared to that at month 7. The overspend includes costs of £5.540m that are related to the impact of COVID-19 and incorporates the use of reserves totalling £0.697m. The principal underlying reasons are detailed below.

#### Children’s Social Care

3.3.3 This area is projecting a £7.931m overspend, an adverse movement of £0.412m to that which was reported at Month 7; of this overspend, £2.894m is due to anticipated cost relating to COVID-19, in the main relating to the provision of placements, particularly children placed outside of the borough, staffing costs and in-house residential care. The national trend for children’s placements shows increases in foster and residential costs resulting from a number of factors including fewer placements ending when anticipated, increases in fee requests from providers and demand spikes following the re-opening of schools which has impacted on the number of safeguarding referrals. Further investigative work will be required to fully assess the financial implications of these factors in Oldham and to evaluate any longer-term financial impact. Unachievable savings of £1.660m are also a contributor to the overspend in 2020/21 and bring the estimated COVID related pressure to £4.554m.

3.3.4 There are other additional overspends included within the forecasts, firstly there are one off pressures in relation to restructuring costs and the anticipated loss of contractual income which account for £0.531m of the adverse variance.

3.3.5 There is a further forecast operational deficit of £2.846m as a result of increased costs again 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 £1.022m overspend, this includes an unchanged £0.986m of costs associated with COVID-19; the main contributing factors in relation to which are as follows:

- £0.361m - Home to School Transport; being the anticipated impact from September 2020 due to social distancing measures, reduced by financial assistance of £0.180m received from the GMCA.

- £0.400m - 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 the QEST service and Post16 parental fines

3.3.7 Further additional pressures in relation to 'business as usual' total £0.036m and are mainly due 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, the Directorate is predicting an underspend of £0.102m for the year. There is a £0.055m use of reserves 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 previously 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 £000	Forecast £000	Use of Reserves £000	Variance £000
People	2,558	2,359	-	(199)
Public Health & HLA	23,543	23,888	(502)	(157)
Youth, Leisure & Communities	5,636	8,230	-	2,594
Transformation and Reform	938	998	(190)	(130)
Communications and Research	934	984	-	50
Policy	40	662	(602)	20
Strategy and Performance	864	763	-	(101)
<b>Total Forecast Net Expenditure</b>	<b>34,515</b>	<b>37,884</b>	<b>(1,295)</b>	<b>2,077</b>

3.4.2 The forecast outturn at Month 8 is an overspend of £2.077m compared to £2.216m at Month 7, a decrease of £0.139m. This is after the approved use of £1.295m reserves. COVID related pressures have increased by £0.053m and now stand at £2.962m. A favourable variance of £0.885m relates to 'Business as Usual' and is an improvement of £0.192m on the position reported at Month 7. The paragraphs below outline the main movements within the Portfolio.

3.4.3 Youth, Leisure and Communities is showing an overall overspend of £2.594m. The main driver being the Leisure Centre closures due to the COVID-19 pandemic; generating an overall pressure of £2.369m which remains the same as that reported at Month 7.

3.4.4 There are several lower value variances, as follows:

- People Services is showing a favourable variance of £0.199m which relates to income pressures against the HR Advisory and Occupational Health services and also interim and exit staffing costs which are offset by reduced license costs and vacant posts mainly in Organisational Development.
- Public Health and Heritage Libraries and Arts (HLA) are together showing a joint favourable variance of £0.157m. There are income pressures for the Music Service and Theatre Workshop due to both COVID-19 and reduced service provision, which is offset with underspends on staffing and non-pay costs.
- Transformation and Reform is showing an underspend of £0.130m at month 8
- Communications and Research is forecasting an adverse variance of £0.050m; being unachievable income and additional payments to contractors
- Policy is showing an overspend of £0.020m, there are pressures on income and supplies and services offset in part by vacant posts.
- Strategy and Performance is showing an underspend of £0.101m at Month 8.

#### 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 £000	Forecast £000	Use of Reserves £000	Variance £000
Commissioning and Procurement	288	800	-	512
Finance	9,514	11,892	(2,047)	331
<b>Total Forecast Net Expenditure</b>	<b>9,802</b>	<b>12,692</b>	<b>(2,047)</b>	<b>843</b>

#### Summary

3.5.2 The forecast outturn position at Month 8 after a £2.047m use of reserves is an overspend of £0.843m, an adverse variance of £0.156m from that reported at Month 7. A sum of £1.176m of the adverse variance is attributable to the pandemic, leaving a 'business as usual' underspend of £0.333m.

#### Commissioning and Procurement

3.5.3 Commissioning and Procurement is reporting an overspend of £0.512m. The service is continuing to experience difficulties in recruiting to permanent posts, resulting in a more expensive temporary staffing solution costing an additional £0.235m above

current budget levels. The service is also reporting a pressure of £0.277m against the Early Payment scheme which is in part due to Government guidance in response to COVID-19 requiring suppliers to move to immediate payment terms (£0.081m), the remainder (£0.196m) relates to an existing budgetary pressure against the Early Payment Scheme income budget.

- 3.5.4 Finance is showing an overspend of £0.331m. The pressure, in relation to summons cost recoveries has reduced to £0.896m at month 8. 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.

### 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 Budget £000	Forecast £000	Use of Reserves £000	Variance £000
Chief Executive	2,202	2,116	-	(86)
Chief Executive Management	1,648	1,573	-	(75)
Legal Services	3,275	3,165	-	(110)
Executive Office	588	583	-	(5)
<b>Total Forecast Net Expenditure</b>	<b>7,712</b>	<b>7,437</b>	-	<b>(276)</b>

#### Summary

- 3.6.2 The Portfolio is showing an underspend of £0.276m a favourable movement of £0.073m compared to the £0.203m underspend at Month 7, 'business as usual' underspends totalling £0.804m are offset by estimated pressures of £0.528m due to the impact of COVID-19.

#### Chief Executive

- 3.6.3 Chief Executive is reporting an underspend of £0.086m at Month 8. 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 8 which relates to a contribution from the NHS Test and Trace service.

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## Legal Services

- 3.6.5 The service is reporting an underspend of £0.110m at Month 8. 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 to deal with contractual issues and also the backlog of schools' admission appeals. This is in part being offset by an underspend within the Elections budget due to the postponement of the local election in May 2020.

## Executive Office

- 3.6.6 The Service is reporting a small underspend of £0.005m at month 8.

## Achievement of Budget Reductions

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

## 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**

	Revised Budget £000	Forecast £000	Use of Reserves £000	Variance £000
Capital, Treasury and Corporate Accounting	12,347	21,261		<b>8,912</b>
<b>Total Forecast Net Expenditure</b>	<b>12,347</b>	<b>21,261</b>		<b>8,912</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
- 3.7.3 The adverse variance within the Capital and Treasury service area is £8.912m; being £9.412m of COVID pressures as a result of the anticipated loss of income from approved treasury management investments, increased by a further re-assessment of the extent to which capital receipts will be available to support transformation change as outlined in Section 9 of the report. The pressure is offset by a £0.500m favourable business as usual variance arising from capital programme reprofiling.

### Housing Benefits

- 3.7.4 Included in the above is an anticipated overspend of £0.280m due to the temporary suspension of the recovery of benefits overpayments as per Local Government Association (LGA) bulletin 6.4 as part of the Government's response to the COVID-19 outbreak.

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## 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 which now totals £24.902m (£2.206m of which is in relation to SFC) that has already been or is 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 grant is offset by expenditure 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) – (£0.027m)
- Local Authority Support for Clinically Extremely Vulnerable (CEV) Individuals (£0.145m)
- Enhanced Response to COVID (£0.300m)
- Next Steps Accommodation Programme (£0.147m)
- Local Authority Compliance and Enforcement Grant (£0.155m)
- Test and Trace Support Payment Scheme (£0.245m)
- Contain Outbreak Management Fund (£1.897m)
- Additional Dedicated Home to School and College Transport (£0.180m)
- COVID Winter Grant Scheme - £0.975m

Other ringfenced grants notified since the last report and included at month 8 are:

- a) Two additional allocations of the Contain Outbreak Management Fund which is paid to Authorities to support proactive containment and intervention measures. Firstly £0.948m to reflect the Tier 3 status of Oldham and therefore a payment of £4 per head of population for a 28 day period from 2 December 2020. Secondly a payment of £0.440m to reflect 13 days of Tier 3 status prior to 5 November 2020 and the start of the second national lockdown.
- b) A new ringfenced grant notified is the Holiday Activities and Food Programme which aims to provide healthy food and enriching activities over the school holiday periods for children who receive benefits-related free school meals. The Department for Education recently announced that the programme will be expanded to reach all Local Authority areas over the Easter, Summer and Christmas holidays in 2021.



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The Council has been allocated £0.136m in 2020/21 and a further £1.219m in 2021/22.

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

- 4.2 Members will also recall that Cabinet on 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.
- 4.3 The funding had been ringfenced but in accordance with accounting guidance, because 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.
- 4.4 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 £47.845m were made under the SBGF and RLHGF grant regimes to 4,232 businesses and £2.501m (the maximum allowable) of discretionary grants paid to 267 businesses. The Councils net budget has been increased by £2.501m to reflect the finalised payment of Discretionary Grants. The Council has now been requested to repay the Government £4.392m representing the excess of grant received over that paid out.
- 4.5 The Council has now received a second unringfenced grant to support the costs of administering the Small Business, Retail, Leisure and Hospitality Business Grants in the sum of £0.076m (£0.170m was received earlier in the financial year). This is highlighted on Appendix 2 and included within the Commissioning Directorate budget.

### **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. At the end of the second national lockdown, further grants and funding was announced. Yet more grants were announced when Oldham entered into the Tier 4 restrictions on 31 December 2020 and when the third national lockdown was introduced on 5 January 2021. The business support grants that the Council is administering, prior to Tier 4 and national lockdown restrictions and the grant funding available are as follows:
- a) Local Restrictions Support Grant (Closed) at £0.191m – 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 at £3.517m – 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) funding included in the £3.517m above – 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) at £1.884m– 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 2020
  - e) Additional Restrictions Grant (ARG) at £5.017m – 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 reflect the discretionary nature of the scheme.
  - f) Local Restrictions Support Grant (Closed) for those businesses that had to remain closed under Tier 3 restrictions from 2 to 18 December 2020 – for which grant of £0.288m has been received
  - g) Local Restrictions Support Grant (Closed) for businesses that had to remain closed from 19 December to 30 December 2020 for which £0.297m has been received.
  - h) Local Restrictions Support Grant (Open) to fund discretionary payments to businesses that have suffered losses during the period from 2 to 18 December 2020 for which £0.036m has been received
  - i) Local Restrictions Support Grant (Open) to fund discretionary payments to businesses that have suffered losses during the period from 19 December to 30 December 2020 for which a grant of £0.029m has been received.
  - j) Christmas Support Payment grant of £1,000 for “wet led” pubs for which £0.128m has been received from Government.

4.7 The Council will act as an agent of Government for the grants at (a), (b), (c), (f), (g) and (j) above. The grants at (d), (e), (h) and (i) are discretionary grants and the budget has been adjusted accordingly. At the end of December, the Council had received £11.387m in grant from the Government including £5.017m received via the GMCA to fund payments to businesses as outlined above.

4.8 More funding will follow, in relation to top-up funding for some of the above grants and in the form of new grants. The Council is and will adhere to the detailed guidance issued by Government in the administration of these grant regimes and is developing its approach to the two discretionary schemes. Members will be advised of subsequent grants in the month 9 financial monitoring report.

## **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). The 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, resourced provision and post 16 Further Education 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 the Schools and High Needs Blocks in 2018/19 (1%) and 2019/20 (0.84%), with a further 0.5% having been agreed for the current financial year (£1.009m). At the Schools Forum meeting in November, members agreed a further 0.5% movement for 2021/22.

5.4 The position has changed from that previously reported; with the continued support from the Schools Block, the High Needs Block now has an in-year deficit of £0.464m, a reduction of £0.089m from the previously reported deficit of £0.553m. This contributes to a cumulative deficit forecast of £15.343m 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 £5.380m (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**

High Needs Block- Movement	£000
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	(40,663)
<b>Projected in Year Deficit</b>	<b>(464)</b>
Deficit Brought Forward 01/04/2020	(14,879)
<b>Cumulative Deficit</b>	<b>(15,343)</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>Projected Deficit 31/03/2021</b>	<b>(5,380)</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 notifications of additional funding and the agreed funding methodology for 2020/21 (including the reduced 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 In addition, as previously advised, a report was presented to Schools Forum on 18 November 2020 providing an update in relation to the DSG highlighting the outcome of the school's consultation on the funding formula for 2021/22. The report included a recommended 0.5% transfer from the Schools Block to the High Needs Block of £1.049m which was subsequently agreed by Cabinet on 14 December 2020.
- 5.7 A further report was presented to Schools Forum on 13 January 2021 providing a further update in relation to the DSG and the recovery plan which has been updated accordingly to take account of the most recent funding announcements, the latest expenditure predictions and their impact on the projections from the current financial year through to 2023/24. The table below shows the revised Recovery Plan and illustrates that with the increased funding anticipated and the planned actions to address new operating arrangements to generate efficiencies, the DSG should be brought into a position where there is a small surplus in 2023/24.

**Table 13 - Overall DSG Position**

	2020/21 £000	2021/22 £000	2022/23 £000	2023/24 £000
<b>Opening Balance - Surplus/(Deficit)</b>	<b>(4,916)</b>	<b>(4,559)</b>	<b>(3,548)</b>	<b>(1,879)</b>
Movements per original plan	1,048	5,081		
<b>Original Forecast Variance</b>	<b>(3,868)</b>	<b>522</b>	<b>(3,548)</b>	<b>(1,879)</b>
Estimated Adjustments including Additional (Pressures)/ Savings	(691)	(4,268)	185	123
Estimated Savings Out of Borough	0		286	928
Additional High Needs Funding	0		1,000	1,000
Estimated adjustment re imports/exports	0	198	198	198
0.5% Movement Agreed by Schools Forum				
<b>Revised Net Forecast (Deficit)/Surplus</b>	<b>(4,559)</b>	<b>(3,548)</b>	<b>(1,879)</b>	<b>370</b>

- 5.8 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 information released on 17 December 2020 giving provisional funding allocations for 2021/22.

## 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 £2.181m, a net favourable movement of £1.339m. The variance is attributable to the reprofiling 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 £000	Latest Forecast £000	Variance to Budget £000
HRA Balances Brought forward	(21,750)	(21,795)	(45)
Deficit on HRA Services	3,520	2,181	(1,339)
<b>HRA Balances Carried Forward</b>	<b>(18,230)</b>	<b>(19,614)</b>	<b>(1,384)</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 £000	NDR £000	Total £000
Balance Brought Forward	(185)	(3,112)	(3,297)
Surplus Released In Year	410	1,060	1,470
Prior Year Balance Carried Forward	225	(2,052)	(1,827)
(Surplus)/ Deficit for the Year	3,278	29,288	32,566
Additional Section 31 Grant **	0	(25,456)	(25,456)
<b>Net (Surplus)/Deficit for the Year</b>	<b>3,278</b>	<b>3,832</b>	<b>7,110</b>
<b>Collection Fund Balance pre-2020/21 3-year Deficit Spread</b>	<b>3,503</b>	<b>1,780</b>	<b>5,283</b>

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

**Table 16 - Collection Fund – 2021/22 Share of Balances; Forecast Position**

Collection Fund Balance	Council Tax £000	NDR £000	Total £000	2/3 Spread of Deficit	Share of C/fwd Surplus	21/22 Net Total
Share - Oldham Council	2,783	3,794	6,577	(4,385)	(1,839)	353
Share – Greater Manchester Combined Authority Mayoral Police and Crime Commissioner	344	-	344	(229)	24	139
Share – Greater Manchester Combined Authority Mayoral General Precept (including Fire Services)	151	38	189	(126)	(10)	53
<b>Total (Surplus)/Deficit</b>	<b>3,278</b>	<b>3,832</b>	<b>7,110</b>	<b>(4,740)</b>	<b>(1,825)</b>	<b>545</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 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. Unlike previous years, as a direct result of the coronavirus pandemic there are likely to be no anticipated benefits of the pilot 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 (£6.008m at month 7).
- 7.5 The recent Spending Review advised that there will be grant compensation for irrecoverable Collection Fund losses incurred in 2020/21. This was confirmed together with information on the arrangement for the compensation in the Provisional Local Government Finance Settlement. This grant will be paid to the General Fund rather than the Collection Fund and, as outlined earlier at 2.1.3 (b), a prudent estimate of grant of £1.000m is anticipated. As the Collection Fund loss will not impact on the finances of the Council until 2021/22, the £1.000m will be carried forward as a reserve and used to support the 2021/22 budget
- 7.6 The Government has recently passed legislation that allows Councils to spread the deficit of the Collection Fund over three years. This has been applied to both Council Tax and non-domestic rates. This will mean that 2020/21 Collection Fund deficits will still be recovered but allowing the longer time frame reduces the impact on the 2021/21 budget setting process. This spreading of the deficit has produced a charge of £0.353m which will impact on the 2021/22 Council budget

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## 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 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 2.1.3 (a), a further £25.456m 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. In addition, a further £1.000m representing the anticipated Section 31 grant for irrecoverable 2020/21 Collection Fund losses will also be transferred to reserves and will be used to support the 2021/22 budget to align with the impact of the Collection Fund losses.
- 8.5 Previous monitoring reports have incorporated a net use of reserves totalling £1.406m; being £1.490m released from reserves netted down by a £0.084m transfer back into reserves.
- 8.6 The current report includes requests for a further transfer from Earmarked Reserves of £0.823m, the Service requests for actual drawdowns therefore total £2.313m at month 8.
- 8.7 Therefore, the total planned use of reserves as at Month 8 is £12.001m (excluding the £25.456m, £0.084m and £1.000m transfers to reserves). When this is added to the £10.008m which underpins the 2020/21 budget, earmarked reserves of £21.497m and £0.512m of Revenue Grant Reserves (a total of £22.009m) 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 £26.540m total transfer to reserves) are £57.863m and £7.422m although there are some commitments against these reserves.
- 8.8 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.

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- 8.9 The availability of reserves is a demonstration of the financial resilience of the Council and as such the reserves must be carefully managed. However, the use of reserves is also a means by which the Council can support the 2021/22 budget setting process and Medium Term Financial Strategy. Therefore, a reprioritisation of reserves has been undertaken and this has identified a total of £28.000m of existing reserves plus the £1.000m related to irrecoverable Collection Fund losses that are available to support the 2021/22 and future years budgets. This is reflected in the 2021/22 Revenue Budget report elsewhere on the agenda. In total therefore, it is planned to use £29.000m of reserves to support the budget setting process over the life of the Medium Term Financial Strategy, 2021/22 to 2023/24.

## **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. Following a further review, it is now estimated that only £2.335m of capital receipts will be available within the current financial year, therefore £1.415m of the anticipated transformational work cannot be financed in-year by the anticipated means. The position is and will continue to be closely monitored for the remainder of the year and may therefore change again 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, remains an overall significant corporate 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 remaining month on month financial monitoring reports will continue to reflect the outcome of such activities and continue to show an improving 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.



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- 10.4 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 also expected from other partners. In January Oldham CCG has refunded £2.950m of the increased contribution to the Section 75 pool made by the Council in 2019/20 and has indicated that up to an additional £2.950m will be received before the end of the financial year. The GMCA has also indicated a contribution of a further £1.050m may be payable in relation to the Retained Business Rates scheme. In addition, the Council has received confirmation of its successful bid for £0.530m grant from the the National Leisure Recovery Fund, which is being administered by Sport England. As previously outlined there will be a final 2020/21 SFC submission for the period December to March. Clearly the income due to be received will have a significant impact on the anticipated year end position and assuming no major increase in costs should contribute to producing at least a balanced outturn. The contributions have not been included in the current projections, the month 9 monitoring report will set out the estimated projected outturn position including the latest position in relation to these additional funds.
- 10.5 As demonstrated throughout the report, the Council has attributed the deficit between COVID and 'business as usual' activities, there will however be a COVID legacy where certain of those costs, including those currently being reimbursed by the NHS, will remain in the cost base of the Authority for a number of years. Estimates of these costs are reflected in the proposed 2021/22 revenue budget.
- 10.6 Members should note that if there are any unaddressed in-year pressures, they will have to be balanced by the use of reserves. At this stage this is considered unlikely and based on the current financial projection, the Council holds sufficient levels of reserves to address any financial shortfall in 2020/21 although any utilisation of reserves in 2020/21 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 instigate and any further support received from Central Government and partner agencies.

## Planned Use of Reserves to 30 November 2020 - Month 8

Reserve Name	Balance as at 01 April 2020	Forecast use/ creation of reserves 2020/21 - up to Mth 7	Forecast use / creation of reserves 2020/21 - Month 8	Anticipated Closing Balance 31 March 2021	Reason for Use of Reserve
	£000	£000	£000	£000	
<b>Earmarked Reserves</b>					
<b>Integrated Working Reserve</b>					
GMSF/Local Plan	(200)	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)	40		0	The reserve is to support delivery of the Greater Manchester Spatial Framework (GMSF) and review of Oldham's Local Plan
Devolution	(140)	20		(120)	To support the Devolution agenda
The Oldham Model	(555)	165	25	(365)	To fund the Strengths Based Approach Model
<b>Directorate Reserves</b>					
Homelessness	(188)		35	(153)	The Council is committed to support the Mayor of Greater Manchester and the "A Bed Every Night" project to end rough sleeping across the county and is now up to phase 3 of the project. This reserve will support the programme in 2020/21
<b>Council Initiatives Reserve</b>					
Learning & Attainment Reserve	(605)	250		(355)	To fund the Oldham Education and Skills commission over a four year period
Northern Roots	(475)		475	0	To support delivery of the Northern Roots project as approved by Cabinet on 28 January 2019
Corporate Plan Priorities	(260)		76	(184)	This funding will support the Wrigley Head Solar Panel Project in this financial year
<b>Transformation Reserve</b>					
Transformation Reserve	(2,421)	30	133	(2,258)	Cultural Strategy
DSG Recovery Plan	(1,000)	245		(755)	SEND Annual Review Team
Social Care Budget Reserve	(455)		27	(428)	To provide resources to fund the MOSAIC Business Analyst post within 2020/21 and support the MOSAIC programme of works
<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
<b>Sub Total</b>	<b>(18,955)</b>	<b>10,638</b>	<b>771</b>	<b>(7,546)</b>	
<b>Balancing Budget Reserve</b>					
Corporate Reserve to balance budget	(4,182)	4,182		0	
Waste Levy Refund 2019/20	(3,113)	3,113		0	As agreed by Council on 26 February 2020, £10.008m of Earmarked Reserves are required to support the 2020/21 budget
2019/20 Business Rates Pilot Scheme Gain	(1,413)	1,413		0	
Business Rates Retention Returned Funding	(1,300)	1,300		0	
<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 of Earmarked Reserves 2020/21</b>	<b>(28,963)</b>	<b>20,646</b>	<b>771</b>	<b>(7,546)</b>	
<b>Planned Increase / Creation of Earmarked Reserves</b>					
Mercury Emissions	0	(84)		(84)	The transfer of a contribution made by via each cremation for the purchase of new Mercury abatement equipment
Business Rates - Collection Fund Deficit Compensation	0	(25,456)		(25,456)	This transfer to reserves reflects the payment of additional Section 31 Grant Funding of £25.456m for the extension of 100% business rates reliefs to retail, hospitality leisure and nursery businesses. It is paid to the in to the Council's General Fund in 2020/21 and will be transferred to reserves and released in 2021/22 to reimburse the corresponding element of the Collection Fund deficit in 2021/22
Collection Fund Irrecoverable Losses - S31 Grant Compensation	0		(1,000)	(1,000)	Anticipated S31 Grant compensation for irrecoverable Collection Fund Losses - transfer to reserve to support the 2021/22 Budget
<b>Total Planned Increase / Creation of Earmarked Reserves 2020/21</b>	<b>0</b>	<b>(25,540)</b>	<b>(1,000)</b>	<b>(26,540)</b>	
<b>NET Use/Increase of Earmarked Reserves Revenue Grant Reserves</b>	<b>(28,963)</b>	<b>(4,894)</b>	<b>(229)</b>	<b>(34,086)</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
Communication, Speech and Language	(67)	67		(0)	To fund the Communication, Speech and Language Campaign
Thriving Communities	(252)	51		(201)	To support the Northern Roots Project
Tackling Troubled Families	(1,291)	83	(28)	(1,236)	To fund staffing support for the multi agency safeguarding hub
Reform Investment Funding	(2,035)		39	(1,996)	To fund additional temporary capacity to support the integration of the MASH team across Children's Social Care and Early Help
Children's Social Care and Accreditation System	(93)		26	(67)	To fund the costs associated with delivering the National Assessment and Accreditation System (NASS) for children's social workers
GMCA Targeted Children's Review	(353)		15	(338)	The reserve relates to adopting and adapting the Stockport Team Around the Family model. This is part of the wider development of the Council's approach to Early Help. The use of this reserve for 2020/21 will provide staffing resource to support this programme
<b>Total Planned use of Revenue Grant Reserves 2020/21</b>	<b>(4,430)</b>	<b>540</b>	<b>52</b>	<b>(3,838)</b>	
<b>NET Use/Increase of Reserves Earmarked and Grant Reserves</b>	<b>(33,393)</b>	<b>(4,354)</b>	<b>(177)</b>	<b>(37,924)</b>	
<b>Represented by:</b>					
Increase to Reserves	0	(25,540)	(177)	(25,717)	
<b>Total Use of / change to Earmarked and Revenue Grant Reserves</b>	<b>(33,393)</b>	<b>21,186</b>	<b>0</b>	<b>(12,207)</b>	Use of a total of £22.009m of reserves in 2020/21. Movement of £26.567m to reserves (£25.456m to address the Collection Fund shortfall in 2021/22, £1.000m or irrecoverable Collection Fund losses and £0.84m mercury emissions)

<b>Appendix 2</b>				
<b>FINANCING OF THE 2020/21 BUDGET AT Month 8</b>	<b>Original Budget</b>	<b>Prior Months</b>	<b>Additions to M8</b>	<b>Revised Budget</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<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)	(25,459)		(36,689)
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)	(155)	(259)
Capital grants		(1,261)	(1,198)	(2,459)
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)
New Burdens Funding - Business Grants Round 2			(76)	(76)
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)
COVID-19 Sales, Fees and Charges Grant		(1,282)	(924)	(2,206)
COVID-19 Discretionary Grants - Round 1		(2,501)		(2,501)
COVID-19 Local Restrictions Support Grant (Open) - to December		(1,884)		(1,884)
COVID-19 Local Restrictions Support Grant (Open) - December			(65)	(65)
COVID-19 Additional Support Grant		(5,017)		(5,017)
Wellbeing for Education Return		(38)		(38)
Staying Put Grant		(116)		(116)
External Personal Adviser Duty Implementation Grant		(8)		(8)
Support to Clinically Extremely Vulnerable (CEV) Individuals		(145)		(145)
S31 Grant Compensation - Irrecoverable Collection Fund Losses			(1,000)	(1,000)
<b>Total Government Grant Funding</b>	<b>(74,935)</b>	<b>(55,896)</b>	<b>(3,418)</b>	<b>(134,249)</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>(55,896)</b>	<b>(3,418)</b>	<b>(282,830)</b>
Balance to be addressed by Use of Reserves	(10,008)			(10,008)
<b>Total Financing</b>	<b>(233,524)</b>	<b>(55,896)</b>	<b>(3,418)</b>	<b>(292,838)</b>