

Report to Cabinet

Revenue Monitor and Capital Investment Programme 2020/21– Month 9 December 2020

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

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Reason for Decision

The report provides Cabinet with an update on the Council's 2020/21 forecast revenue budget position at Annex 1 and the financial position of the capital programme as at 31 December 2020 (Quarter 3), together with the revised capital programme 2020/21 to 2025/26, as outlined in section two of the report at Annex 2. Both elements of the report incorporate more recent information as appropriate.

Executive Summary

Revenue Position

The current forecast outturn position for 2020/21 is a projected favourable variance of £0.522m 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, most significantly People and Place, Children's Services and Community Health & Adult Social Care Portfolios. Action has been taken and will continue up to the year end 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 £25.802m 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 £17.261m of COVID Emergency Funding, including £1.281m for the first submission for loss of income in relation to sales, fees and charges under the income compensation scheme (SFC). Further provision is made for the second and third SFC submissions in the sum of £0.924m and £0.900m respectively, the former has been submitted but not yet paid, the latter is an estimate for the period December 2020 to March 2021.

The COVID pressure is further offset by actual and anticipated refunds from the Greater Manchester Combined Authority (GMCA) of £3.133m together with a contribution from Oldham CCG to support the cost of adult social care services via the Section 75 Pooled Funding Agreement that is in place between the Council and the CCG.

In Annex 1 to the report, both the full Government grant and the GMCA refunds are presented as single sums so that it highlights the level of variation across all Council budgets. However, this summary report presents the position after applying the Government grant and the refunds across Portfolio areas.

An update on the major issues driving the projections are detailed within Annex 1, Section 3.

Section 4 of the report supplemented by Appendices 3 and 4 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 possible, as a result, both the overall financial position and the application of Government grant could change before the end of the financial year.

As this financial monitoring report reflects the financial position at Quarter 3 updated with more recent information where possible, it can be regarded as a reliable indicator of the potential year end position. Therefore, based on current projections it is anticipated that the Council will retain at least the current, favourable position to the end of the financial year.

Effective from 5 January 2021, the country, for the time being, remains in national lockdown. The phased easing of restrictions announced on 22 February 2021 and the impact of the rollout of the vaccine, should hopefully see a gradual easing of the financial pressures on the Council, however much 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 and this has been incorporated into the 2021/22 approved budget.

The DSG continues to be an area which is facing a financial challenge with a 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 2025/26 for approved schemes. The revised capital programme budget for 2020/21 is £71.012m at the close of Quarter 3, a net decrease of £76.620m from the original budget of £147.632m. Actual expenditure to 31 December 2020 was £56.080m and had increased to £61.483m at the end of February 2021 (86.58% of the forecast outturn). The forecasts for 2021/22 onwards reflected the Capital Strategy and Programme approved at the Budget Council on 4 March 2021.

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

Recommendations

That Cabinet approves;

1. The forecast revenue outturn for 2020/21 at Quarter 3, being a £0.522m favourable 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 2025/26 at Quarter 3 as presented in Annex 2.

Revenue Monitor and Capital Investment Programme 2020/21 - December 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, up to the current month, been 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 December 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 2020 and the preparatory work for the round 9 submission on 29 January 2021.
 - 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 for future years, having regard to the 2021/22 to 2025/26 Capital Strategy and Programme approved at the 4 March Budget Council..
- 1.3 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 COVID-19. Clearly, given the ever changing course of the pandemic, there are likely to be further changes that cannot be fully assessed at this time but will be addressed when the final accounts for 2020/21 are prepared.

2. Current position

- 2.1 The forecast revenue outturn for 2020/21 is a favourable variance of £0.522m, an improvement (as expected) of £8.852m compared to the £8.330m reported at Month 8. 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 £30.990m, this reduces to £5.188m with the application of the £25.802m of un-ringfenced Government COVID related grant funding received to date. The non-COVID related position reflects an underspend of £2.577m. This position has been assisted by the £5.900m contribution from Oldham CCG to support the costs of adult social care. The final element producing the £0.522m underspending is the application of £3.133m of resources returned to the Council by GMCA. The remaining

pressures are primarily in Children's Services and Capital, Treasury and Corporate Accounting.

2.2 The total Portfolio variances are £28.413m as detailed in Annex 1 at Tables 1 and 2 including COVID (£30.990m) pressures and non-COVID (£2.577m) underspending. This is comprised of People and Place reporting an adverse variance of £4.928m (£5.633m COVID related), Community Health and Adult Social Care reporting a pressure of £1.588m (£5.986m COVID related) and Children's Services reporting an adverse variance of £8.407m (£5.130m COVID related). The Services within Communities and Reform and Commissioning are similarly reporting adverse variances of £2.030m (£3.125m COVID related) and £0.843m (£1.176m COVID related) respectively. There is a small favourable variance of £0.286m within Chief Executive, with a £0.528m COVID related pressure. Capital, Treasury and Corporate Accounting is reporting a pressure of £10.912m of this £9.412m is COVID related with a further £1.500m adverse business as usual variance.

2.3 However, taking an approach to allocating the grant so far received against the costs incurred and using the information in Tables 1 and 2 of Annex 1, the table below shows the net impact across all Portfolio areas:

Portfolio Area	Gross Costs - COVID-19 Response £000	Apportionment Grant Funding (SFC) £000	Apportionment Grant Funding (MHCLG) £000	COVID Costs Net of Funding £000	Apportionment GMCA Refund £000	Business as Usual £000	Total Variance £000
People and Place	5,633	(1,224)	(3,943)	466	(282)	(705)	(520)
Community Health and Adult Social Care	5,986	(790)	(5,196)	-	-	(4,398)	(4,398)
Children's Services	5,130	(454)	(3,591)	1,086	(656)	3,277	3,707
Communities and Reform	3,125	(358)	(2,187)	580	(350)	(1,095)	(865)
Commissioning	1,176	(224)	(823)	128	(78)	(342)	(291)
Chief Executive	528	(55)	(370)	103	(62)	(814)	(773)
Capital, Treasury and Corporate Accounting	9,412	-	(6,588)	2,824	(1,706)	1,500	2,619
Total	30,990	(3,105)	(22,697)	5,188	(3,133)	(2,577)	(522)

2.4 Despite the move to a favourable projected outturn, the levels of expenditure both COVID related and operational is of concern and as previously reported, management action had been initiated during 2020/21 across all service areas to review and challenge planned expenditure and to maximise income. Robust measures were introduced 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 continues to have an 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 is still a challenge for the Authority and it should be noted that in relation to COVID there inevitably remains an element of estimation, the rollout of

the vaccine and the phased easing of restrictions, will hopefully have a positive impact, however, as with previous relaxations, there can be no certainty, and the uncertain timeline for the course of the pandemic remains a factor.

- 2.6 The Government has already provided funding support of £24.902m, including the first two claims submitted to the MHCLG Sales, Fees and Charges (SFC) compensation scheme. An estimate of £0.900m for the third SFC claim for the period December 2020 to March 2021 is also now included so a total of £25.802m has therefore been used to offset the overall pressure arising from the pandemic. There is also a scheme which will allow Council Tax and Business Rates deficits to be addressed over 3 years instead of one (impacting on the 2021/22 budget) and additional Local Tax Income Guarantee Grant funding of £1.000m is expected to support 75% irrecoverable Collection Fund losses (this is to be used to support the 2021/22 budget). This brings the total of un-ringfenced COVID grants received and anticipated from MHCLG to £26.802m .
- 2.7 The Government has issued further support in the form of a range of ringfenced and a small number of unringfenced revenue grants to assist the Council with its response to COVID, the details of which are provided in section 4.1 to 4.5 of Annex 1 and a full schedule is included at Appendix 3.
- 2.8 Additional support for business has been received which is administered by the Council and action is in train to ensure businesses receive grant payments. Further detail is provided in sections 4.6 to 4.11 of Annex 1 and itemised at Appendix 4.
- 2.9 Clearly the forecast surplus of £0.522m is a significant improvement on the position reported at month 8, and a very positive indicator of a favourable outturn at the end of the financial year.
- 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 in-year deficit of £7.110m, unchanged from the previous month.
- 2.11 The DSG continues to be an area which is facing a financial challenge with a projected deficit of £4.559m (unchanged) 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 Quarter 3 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 now shows projected revised expenditure of £71.012m, a decrease of £10.000m compared to the previous month. Actual expenditure at the end of December 2020 was £56.080m (77.89% of the forecast outturn), and at the end of February expenditure had increased to £61.483m. 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 and the Director of Finance.

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 - 21 – 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 to 4

Officer Name: Andy Cooper

Contact No: 0161 770 4925

File Ref: Capital Background Papers are contained in Annex 2 including Appendices A - G

Officer Name: Lee Walsh

Contact No: 0161 770 6608

20 Appendices

Annex 1 Revenue Budget Monitoring Report 2020/21 Quarter 3 – December 2020

Appendix 1 Quarter 3 - Planned Transfers to/ from Reserves

Appendix 2 Financing of the 2020/21 Budget at Quarter 3

Appendix 3 General Grants in Support of COVID-19

Appendix 4 Business Grant Support Received from Central Government

Annex 2	Capital Investment Programme Report 2020/21 Quarter 3 – December 2020
Appendix A	SUMMARY – Quarter 3 - Corporate Services
Appendix B	SUMMARY – Quarter 3 - Children’s Services
Appendix C	SUMMARY – Quarter 3 - Communities and Reform
Appendix D	SUMMARY – Quarter 3 - Community Health & Adult Social Care
Appendix E	SUMMARY – Quarter 3 - Housing Revenue Account (HRA)
Appendix F	SUMMARY – Quarter 3 - People and Place
Appendix G	SUMMARY – Quarter 3 – Proposed Variations