

Report to Cabinet

Revenue Monitor and Capital Investment Programme 2021/22 Month 9 – December 2021

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

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Reason for Decision

The report provides the Cabinet with an update on the Council's 2021/22 forecast revenue budget position at Annex 1 and the financial position of the 2021/22 capital programme as at 31 December 2021 (Quarter 3) together with the revised capital programme 2022/23 to 2026/27, as outlined in section two of the report at Annex 2. The opportunity has been taken to update the forecasts and grant detail in the report where information has been received more recently and has an impact on the financial projections included in the report.

Executive Summary

Revenue Position

The current forecast outturn position for 2021/22 is a projected surplus variance of £2.680m after allowing for approved and pending transfers to and from reserves.

The position includes additional costs and pressures that have been identified by the Authority in this financial year as a direct result of the COVID pandemic. The additional pressures include forecasts of both income shortfalls and additional expenditure that have impacted on the Authority's budgets.

The pandemic is continuing to affect nearly all aspects of Council service delivery; the most significant areas of concern remain the People and Place, Children's Services and Community Health & Adult Social Care Portfolios. Action is being taken and will continue right up to the end of the financial year to address variances and take mitigating action as detailed in the report.

The overall corporate position is partly being offset by the application of £7.737m general COVID support grant and £0.352m from the Quarter 1 compensation claim for lost income in relation to sales fees and charges (SFC); in total £8.089m, all of which is received from the Department for Levelling Up, Housing and Communities (DLUHC). In Appendix 1 to the report, the un-ringfenced Government support is presented as a single sum so that it highlights the level of variation across all Council budgets, given that there is insufficient resource to fully offset the adverse COVID related variance. However, this summary report presents the position after applying the Government grant across Portfolio areas. An update on the major issues driving the revenue projections is detailed within Annex 1, Section 2.

The current projected position, after adjustment for reserves and, as outlined above, receipt of all additional Government funding to support COVID pressures that the Authority is expecting to receive, continues to show a net underspend, demonstrating the impact of the service and corporate actions that have been initiated across all service areas to review and challenge planned expenditure and to maximise income. Action will of course continue with the aim of, at the very least, maintaining this position to the end of the financial year.

Information on the Quarter 3 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. The Collection Fund position has improved in-year and the deficit of £12.159m remains unchanged from the previous month; the Councils share of the deficit is £11.785m. Government grant compensation of £13.092m will offset this to produce a forecast surplus of £1.307m which will be available to support the 2022/23 budget. Whilst the DSG continues to be an area which is facing a financial challenge, recent funding announcements in particular have contributed to an improved position, reducing the cumulative deficit, and bringing the DSG towards an enhanced balanced position in 2023/24.

Capital Position

The report outlines the most up to date capital position for 2021/22 to 2026/27 for approved schemes. The revised capital programme budget for 2021/22 is £38.709m which is considerable movement from the month 8 forecast of £52.588m and a net decrease of £47.293m from the original budget of £86.002m. Actual expenditure to 31 December 2021 was £29.304m (75.7% of the forecast outturn).

It is anticipated that the forecast outturn will be close to the final position, although there may be further reprofiling up to the year-end.

Recommendations

That Cabinet approves the 2021/22 financial position of the Council as follows:

1. The forecast revenue outturn for 2021/22 at Quarter 3 being a £2.680m favourable variance having regard to the action being taken to manage expenditure
2. The forecast positions for the Housing Revenue Account, Dedicated Schools Grant and Collection Fund
3. The use of reserves as presented in Section 8 of Annex 1
4. The revised capital programme for 2021/22 to 2026/27 as at Quarter 3

Revenue Monitor and Capital Investment Programme 2021/22 Quarter 3 – December 2021**1 Background**

- 1.1 The Authority's 2021/22 revenue budget and capital programme was approved by Council on 4 March 2021. Under established budget procedures, all services are required to monitor and review their approved revenue and capital budgets during the financial year. This is reported to Cabinet on a quarterly basis with an additional report at month 8, which is used to inform the budget setting process for the following financial year.
- 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 Quarter 3 together with known commitments, issues, and planned management actions. Due to the requirement to report to the Department for Levelling Up, Housing and Communities (DLUHC) about the financial pressures relating to COVID, forecasts for Quarter 3 have been based upon the Round 18 Government return which was submitted on 28 January 2022.
 - b) The capital programme forecast has been based on a final round of notified revisions to the approved 2021/22 position having regard to previous reviews and all available up to date information.
- 1.3 The opportunity has been taken to update the forecasts and grant detail in the report where information has been received more recently and has an impact on the financial projections included in the report.
- 1.4 The outturn projections reflect the management actions put in place to mitigate in-year pressures, new developments, and changes in the profile of planned expenditure as well as Government grant given to address the financial challenge created as a result of the pandemic.

2. Current position

- 2.1 The forecast revenue outturn for 2021/22 is a favourable variance of £2.680m. Further details of the current revenue budget position and a full description of the forecast can be found in Annex 1. The pressures relating to COVID total £11.286m but is reduced to £3.197m with the application of £7.737m of un-ringfenced Government COVID related grant funding and also £0.352m of funding to compensate for lost income in relation to sales, fees and charges. Offsetting the COVID related pressure is a net 'business as usual' underspend of £5.877m, within which it should be noted are areas of forecast overspending, primarily within Children's Services (£2.352m) and Commissioning (£0.379m).
- 2.2 As advised above, the total Portfolio variances amount to a net favourable variance of £2.680m as detailed in Annex 1 at Tables 1 and 2. This consists of a net COVID related pressure of £3.197m and an operational underspend of £5.877m. This is comprised of People and Place reporting an adverse variance of £0.126m (£0.557m

COVID related), Community Health and Adult Social Care reporting a pressure of £7.280m (£7.372m COVID related) and Children's Services reporting an adverse variance of £5.269m (£2.917m COVID related). There is a further adverse variance, all attributable to 'business as usual' of £0.379m within Commissioning.

- 2.3 There are favourable variances of £1.654m within Reform, including a COVID related pressure of £0.190m and also £0.599m within the Chief Executive's Service area, again including a £0.250m COVID pressure. Capital, Treasury and Corporate Accounting is reporting a favourable, operational variance of £5.392m. Whilst there are clearly some business as usual pressures, this summary highlights the continuing impact of COVID related pressures across most areas of the Council.
- 2.4 It should, however, be noted that at this stage in the financial year, £1.818m of approved 2021/22 budget reductions are, forecast not to be delivered. Alternative savings have been identified for £1.319m of the potentially unachievable budget reductions within Community Health and Adult Social Care, and Communities and Reform which leaves £0.499m of budget reductions that cannot be offset by other means and this variance is included within the Quarter 3 forecast.
- 2.5 However, taking an approach to allocating the COVID specific funding received/ anticipated against the COVID 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	Business as Usual Pressure £000	Total Net Pressure £000
People and Place	557	(220)	(290)	47	(431)	(384)
Community Health and Adult Social Care	7,372	-	(4,847)	2,525	(92)	2,433
Children's Services	2,917	(43)	(2,257)	617	2,352	2,969
Communities and Reform	190	(40)	(185)	(35)	(1,844)	(1,879)
Commissioning	-	-	-	-	379	379
Chief Executive	250	(49)	(158)	43	(849)	(806)
Capital, Treasury and Corporate Accounting	-	-	-	-	(5,392)	(5,392)
Total	11,286	(352)	(7,737)	3,197	(5,877)	(2,680)

- 2.6 The current projected position, after adjustment for reserves and receipt of additional Government funding to support COVID pressures, is showing a continued underspend that has increased slightly from the previously reported position. However, provision has now been made for all the COVID related funding that the Authority is expecting to receive.
- 2.7 There remains a high degree of estimation in relation to the impact of COVID. 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. The final position will only be determined at the year-end.
- 2.8 Whilst there are many pressures, the impact of the service and corporate actions can be seen in the continued forecasting of a favourable outturn. Action will of course

continue right up to the year-end. The effectiveness of management action has been monitored during the year by Directorate Management Teams with regular progress updates being provided to Portfolio holders.

2.9 Sections 5, 6 and 7 of Annex 1 set out information on the Quarter 3 position of the Dedicated Schools Grant (DSG), Housing Revenue Account (HRA) and Collection Fund. There are currently no significant issues of concern in relation to the HRA. The Collection Fund position has improved in-year and the deficit of £12.159m remains unchanged from the previous month; the Councils share of the deficit is £11.785m. Government grant compensation of £13.092m will offset this to produce a forecast surplus of £1.307m which will be available to support the 2022/23 budget. Whilst the DSG continues to be an area which is facing a financial challenge, recent funding announcements in particular have contributed to an improved position, reducing the cumulative deficit and bringing the DSG towards an enhanced balanced position in 2023/24.

2.10 The original approved capital programme for 2021/22 totalled £86.002m. The revised capital programme as at month 9 taking account of approved carry forwards, new funding, new schemes and variations and proposed variations/ re-phasing plus the impact of the Annual Review gives projected revised expenditure of £38.709m. Actual expenditure at the end of month 9 was £29.304m (75.7% of the forecast outturn). Further details of expenditure and schemes within the capital programme can be found in Annex 2.

3 Options/Alternatives

3.1 The options that Cabinet might consider in relation to this report are;

- a) to agree the forecast revenue and capital positions presented in the report including proposed changes.
- b) to agree some of the forecasts and changes included in the report.
- c) not to agree any of the forecasts and changes included in the report and ask for further information.

4 Preferred Option

4.1 The preferred option is that Cabinet approves 3.1 (a) above; being all of the forecast revenue and capital projections 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 Implications for Children and Young People

- 16.1 There are no direct implications for Children and Young People.

17 Equality Impact Assessment Completed

- 17.1 Not Applicable.

18 Key Decision

- 18.1 Yes.

19 Key Decision Reference

- 19.1 FCL-10-21.

20 Background Papers

20.1 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, 2, 3 and 4

Officer Name: Andy Cooper

Contact : 0161 770 4925 (andy.cooper@oldham.gov.uk)

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

Officer Name: Lee Walsh

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21 Appendices

Annex 1 Revenue Budget Monitoring Report 2021/22 Quarter 3 - December 2021

Appendix 1 Financing of the 2021/22 Revenue Budget at Quarter 3

Appendix 2 Ringfenced COVID grants at 2021/22

Appendix 3 Budget Reduction Summary 2021/22

Annex 2 Capital Investment Programme Report 2021/22 Quarter 3 - December 2021

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