

Report to Cabinet

Revenue Monitor and Capital Investment Programme 2022/23

Quarter 2 – September 2022

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

Officer Contact: Anne Ryans, Director of Finance

Report Author: Anne Ryans, Director of Finance
Ext. 4902

12 December 2022

Reason for Decision

The report provides Cabinet with an update on the Council's 2022/23 forecast revenue budget position at Annex 1 and the financial position of the capital programme as at 30 September 2022 (Quarter 2) together with the revised capital programme 2022/23 to 2026/27, as outlined in section two of the report at Annex 2.

Executive Summary

Revenue Position

The forecast outturn position for 2022/23 is a projected deficit variance of £4.452m after allowing for approved and pending transfers to and from reserves. An operational deficit of £6.172m reduces by £1.720m with the anticipated effect of management actions and strengthened restrictions in relation to expenditure and recruitment. Clearly it is recognised that this remains a challenging position and every effort will be made to reduce the overall variance before the year end.

The position includes additional costs and pressures that have been identified by the Authority in this financial year as a result of the lasting impact of the COVID-19 pandemic. There are currently two areas which continue to endure significant pressures attributed to the on-going impact of the pandemic; Community Health and Adult Social Care is reporting an adverse variance of £7.028m and Children's Social Care is recording £3.961m. These pressures are being offset against a corporate provision of £12.000m COVID-19 Legacy funding which was set aside during the 2022/23 budget setting process specifically to mitigate the on-going costs of the pandemic.

At Quarter 2, the £12.000m provision appears to be sufficient to finance the COVID-19 related expenditure with a residual balance of £1.011m which is being used to reduce the operational pressure. This will be monitored for the remainder of the financial year with action taken to address variances and take mitigating action as detailed in the report.

An update on the major issues driving the projections is detailed within Annex 1, Section 2.

The financial position at Quarter 2 is a £1.381m reduction in the adverse position reported at Quarter 1 and now, for the first time, forecasts the impact of, as previously reported, the management actions that have been strengthened across all service areas to review and challenge planned expenditure, control recruitment and to maximise income. It is therefore anticipated that by the year end, the outturn deficit position should be reduced and that this should start to be demonstrated in the update reports which are to be presented to Cabinet at months 8 and 9.

Information on the Quarter 1 position of the Dedicated Schools Grant (DSG), Housing Revenue Account (HRA) and Collection Fund is also outlined in the report.

Against a generally improving position, the DSG is now forecasting an in-year surplus of £3.215m (£2.790m at quarter 1), which has reversed the deficit brought forward leaving a forecast year end surplus of £0.442m. Action will be taken with the aim of mitigating cost pressures and delivering and maintaining a surplus position. To assist, Oldham has been invited by the Government to take part in the Delivering Better Value in SEND (Special Educational Needs and Disabilities) Programme which will provide dedicated support for the SEND Review reforms to 55 Local Authorities with historical DSG deficit issues with the aim of putting the DSG of participating Authorities on a more financially sustainable footing

There are currently no significant issues of concern in relation to the HRA.

The Collection Fund is forecasting an in-year surplus of £1.370m which in turn contributes to an estimated surplus of £5.489m being carried forward into 2023/24. The Collection Fund has been particularly volatile largely as a result of COVID-19, whilst currently in surplus the position will continue to be closely monitored throughout the year as any surplus or deficit at the end of the financial year will have a direct budgetary impact in 2023/24.

Capital Position

The report outlines the most up to date capital spending position for 2022/23 to 2026/27 for approved schemes. The revised capital programme budget for 2022/23, including the outcome of the Annual Review is £68.318m at the close of Quarter 2, a net decrease of £31.930m from the original budget of £100.248m. Actual expenditure to 30 September 2022 was £18.842m (27.58% of the forecast outturn).

Without doubt the forecast position will continue to change throughout the year with additional re-profiling into future years.

Recommendations

That Cabinet approves the:

1. Forecast revenue outturn for 2022/23 at Quarter 2 being a £4.452m adverse variance having regard to the action being taken to manage expenditure
2. Forecast positions for the Dedicated Schools Grant, Housing Revenue Account and Collection Fund
3. Revised capital programme for 2022/23 and the forecast for the financial years to 2026/27 as at Quarter 2.

Revenue Monitor and Capital Investment Programme 2022/23 Quarter 2 – September 2022**1 Background**

- 1.1 The Authority's 2022/23 revenue budget and capital programme was approved by Council on 2 March 2022. 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 2 together with known commitments, issues and planned management actions
 - b) The capital programme forecast has been based on notified revisions to the approved 2022/23 position including the final 2021/22 outturn, new grant notifications and an initial rephasing of the approved capital programme including an assessment of the impact of COVID-19. It also incorporates the recommendations of the recently completed Annual Review.
- 1.3 As the year progresses the outturn projections will 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 additional support that the Government may provide.
- 1.4 It should be noted that the financial reporting structure of the Council has been revised for 2022/23 and both the revenue and capital positions are presented in the revised structure, which has again been changed slightly between Quarters 1 and 2. Details of the most recent changes are provided in section 1.5 of Annex 1.

2. Current position

- 2.1 The forecast revenue outturn for 2022/23 is an adverse variance of £4.452m compared to £5.833m at Quarter 1. Further details of the current revenue budget position and a full description of the forecast can be found in Annex 1. The pressures within Community Health and Adult Social Care and Children's Services relating to COVID-19 total £10.989m and are to be funded from the £12.000m COVID-19 Legacy funding which is held corporately. In addition to the COVID-19 related pressure, there is also a 'business as usual' overspend of £7.183m which reduces to £6.172m with the offset of the £1.011m unallocated COVID-19 Legacy funding. The most notable areas of forecast, operational overspending are Community Health and Adult Social Services, Children's Services and Place and Economic Growth. The pressure reduces by a further £1.720m with the anticipated impact of strengthened expenditure and recruitment restrictions and the full year effect of management actions to deliver a deficit year end variance of £4.452m.
- 2.2 The total Directorate variances amount to a pressure of £18.172m before the application of the £12.000m COVID-19 Legacy funding as detailed in Annex 1 at Tables 1 and 2. As advised above, this consists of a an operational overspend of £6.172m. This is comprised of Community Health and Adult Social Care reporting a pressure of £8.043m (£7.028m COVID related) and Children's Services reporting an adverse variance of £11.297m (£3.961m COVID related). There is a further adverse business as usual variance of £2.717m within Place and Economic Growth. There are favourable variances of £0.339m within Public

Health, £0.299m within Communities and £0.339m in Corporate Services. Capital, Treasury and Technical Accounting is reporting a favourable, operational variance of £2.908m.

- 2.3 It should be noted that one of the approved 2022/23 Budget Reductions within Children's Services with a value of £0.500m is classified 'Red' and forecast not to be delivered. In addition, there are a further five Budget Reductions, across a range of Divisions, with a combined value of £3.353m rated 'Amber/Red - off track and will only deliver part of the saving' and which are currently reporting to have achieved £0.987m at the half-way point of the financial year.
- 2.4 However, taking an approach to allocating the COVID-19 Legacy funding against the COVID-19 related costs incurred and using the information in Tables 1 and 2 of Annex 1, the table below shows the net impact across all Directorate areas, essentially negating the COVID variance in Community Health and Adult Social Care and Children's Services, leaving a funding balance of £1.011m which reduces the business as usual pressure from £7.183m to £6.172m.
- 2.5 Management action has been strengthened with regard to reviewing expenditure and also recruitment to vacant posts and this is expected to reduce the overall outturn position by a further £1.720m to an adverse variance of £4.452m as shown in the table below.

Portfolio Area	COVID-19 Cost included in Forecasts £000	Apportion COVID-19 Legacy Funding £000	Business as Usual Pressure £000	Total Net Pressure Quarter 2 £000	Total Net Pressure Quarter 1 £000
Community Health and Adult Social Care	7,028	(7,028)	1,015	1,015	8,851
Children's Services	3,961	(3,961)	7,336	7,336	7,980
Public Health	-	-	(339)	(339)	(10)
Communities	-	-	(299)	(299)	(275)
People and Economic Growth	-	-	2,717	2,717	2,755
Corporate Services	-	-	(339)	(339)	(94)
Capital, Treasury and Technical Accounting	-	-	(2,909)	(2,909)	(1,374)
Unallocated COVID-19 Funding	-	(1,011)	-	(1,011)	(12,000)
Forecast Variance before Management Action	10,989	(12,000)	7,183	6,172	5,833
Impact of Management Actions/ Spending Restrictions				(1,720)	
Total	10,989	(12,000)	7,183	4,452	5,833

- 2.6 There remains in 2022/23 a high degree of estimation with regard to the lasting impact of COVID-19 and also with the emerging cost pressures in relation to utilities and fuel, the impact of cost of living pressures on pay awards and also interest rates. The forecasting of the likely impact of all these factors on the Council's budget is based on both the actual expenditure and the income position recorded to date but also relies on a series of assumptions. These assumptions are constantly being updated in the light of national and indeed international influences. Future reports will advise of the progress of mitigating factors and management actions to control and reduce the forecast deficit.
- 2.7 As this financial monitoring report reflects the financial position at Quarter 2, it can be regarded as an indication of the year end position. Every effort will be made to reduce the forecast variance by the year end as it will have an impact on the 2023/24 budget setting process, together with the projected budget gap for the next year.
- 2.8 The original approved capital programme for 2022/23 totalled £100.248m. The revised capital programme as at Quarter 2 taking account of approved carry forwards, approved new funding, new schemes and variations and proposed variations/ re-phasing gives projected revised expenditure of £68.138m. Actual expenditure at Quarter 2 was £18.842m (27.58%

of the forecast outturn). Further details of expenditure and schemes within the capital programme can be found in Annex 2.

2.9 The Annual Review of the capital programme has been completed and is incorporated in the month 6 forecast position. As a result, £10.313m of expenditure has been reprofiled from 2022/23, accounting for the majority of the £10.378m reduction in expenditure between Quarters 1 and 2.

3 Options/Alternatives

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

- a) to approve the forecast revenue and capital positions presented in the report including proposed changes
- b) to approve some of the forecasts and changes included in the report
- c) not to approve any of the forecasts and changes included in the report

4 Preferred Option

4.1 The preferred option is that Cabinet approves all forecasts and changes within this report; option (a) at 3.1.

5 Consultation

5.1 Consultation with the services within the Council and the Director of Finance.

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 FLC-15-22

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 and 3

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 I

Officer Name: Lee Walsh

Contact No: 0161 770 6608 (lee.walsh@oldham.gov.uk)

21 **Appendices**

Annex 1 Revenue Budget Monitoring Report 2022/23 Quarter 2 - September 2022

Appendix 1 Financing of the 2022/23 Revenue Budget at Quarter 2
Appendix 2 Analysis of Grants
Appendix 3 Summary of 2022/23 Budget Reductions and Deliverability

Annex 2 Capital Investment Programme Report 2022/23 Quarter 2 - September 2022

Appendix A SUMMARY – Quarter 2 - Community Health & Adult Social Care
Appendix B SUMMARY – Quarter 2 - Children’s Services
Appendix C SUMMARY – Quarter 2 - Communities
Appendix D SUMMARY – Quarter 2 - Place and Economic Growth
Appendix E SUMMARY – Quarter 2 - Housing Revenue Account (HRA)
Appendix F SUMMARY – Quarter 2 – Corporate/ Information Technology
Appendix G SUMMARY – Quarter 2 - Capital, Treasury and Technical Accounting
Appendix H SUMMARY – Quarter 2 - Funds for Emerging Priorities
Appendix I SUMMARY – Quarter 2 - Proposed Variations