

REVENUE BUDGET MONITORING REPORT 2022/23

Quarter 2 September 2022

1 Background

- 1.1 The Authority's 2022/23 revenue budget was approved by Council on 2 March 2022 at a sum of £260.686m incorporating:
- £5.467m of Budget Reductions initially approved for 2022/23 at the Budget Council of 4 March 2021.
 - £6.268m of recurrent Budget Reductions approved within the 2022/23 Budget.
 - £24.971m use of corporate and specific reserves, subsequently adjusted to £20.686m when the 2021/22 final accounts were prepared, as outlined in section 2.3(b). In addition, there is an offsetting transfer to reserves of £1.710m relating to the 100% Retained Business Rates piloting arrangements.
 - £2.500m of capital receipts in line with the flexibilities agreed by Secretary of State for Levelling Up, Housing and Communities.
- 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 Quarter 2 together with known commitments, issues and planned management actions. The forecasts include the latest estimates in relation to expenditure arising as a result of the lasting impact of COVID-19.
- 1.3 The Government is not providing any additional funding to address the impact of COVID-19 in 2022/23. As a result, Authorities are no longer required to report the impact of COVID-19 to the Department for Levelling Up, Housing and Communities (DLUHC). Although there is no additional Government funding available, the Council, mindful of the legacy of the pandemic and its continued impact on Council services, approved a sum of £12.000m within its budget for 2022/23 to compensate for the cessation of Government funding and the continued financial impact of COVID-19.
- 1.4 As in the previous two financial years, services are analysing costs and variances between 'business as usual' and COVID-19 and the £12.000m funding will be retained centrally and applied as a corporate adjustment.
- 1.5 Since the Quarter 1 position was reported, there has been a further change to the financial reporting structure. Heritage, Libraries and Arts has been transferred into Public Health, thus leaving only Youth, Leisure and Communities remaining within the Communities Directorate.
- 1.6 It is also important to note that the budget incorporates the impact of the direct provision by the Council of those services that were provided during 2021/22 by the Unity Partnership Limited (UPL), following the transfer of staff from UPL to the Council with

effect from 1 April 2022. This, together with the structural re-alignment means that to varying degrees comparisons with the prior year at a Portfolio level are not particularly meaningful.

2 Current Position

2.1 The current net revenue budget of £265.138m represents a net increase of £4.452m against the originally approved budget of £260.686m and an increase of £3.884m since the funding position of £261.254m reported at quarter 1 which is due to:

- The receipt of £0.102m of un-ringfenced grants; Rough Sleeping Drug and Alcohol Treatment Grant of £0.094m and Temporary Pavement Licencing New Burden Grant of £0.008m, and
- The increase in the utilisation of capital grants of £3.782m reflecting the reporting arrangements when preparing the Statement of Accounts.

A full funding analysis of the net revenue budget is shown at Appendix 1.

2.2 The current position for 2022/23 at Quarter 1 is a projected adverse variance of £4.452m, A forecast of the year-end position has been prepared by all services. The table below shows the year-end forecast position against budget for each Directorate, including the additional costs anticipated as a result of the lasting impact of the pandemic and also the anticipated impact of management actions and strengthened spending and recruitment restrictions.

Table 1 - Summary Forecast Revenue Outturn.

	Budget	Forecast	In Year Net Use of Reserves	Variance Quarter 2	Variance Quarter 1
	£000	£000	£000	£000	£000
Community Health and Adult Social Care	67,232	76,970	(1,695)	8,043	8,851
Children's Services	50,879	64,362	(2,186)	11,297	7,980
Public Health	24,299	27,009	(3,049)	(339)	(10)
Communities	6,534	6,911	(676)	(299)	(275)
Place and Economic Growth	54,810	59,112	(1,585)	2,717	2,755
Corporate Services	26,264	27,065	(1,140)	(339)	(94)
Capital, Treasury and Technical Accounting	23,120	20,212		(2,908)	(1,374)
COVID-19 Legacy Funding	12,000			(12,000)	(12,000)
NET OPERATIONAL EXPENDITURE	265,138	281,641	(10,331)	6,172	5,833
Management Actions/ Spending Restrictions		(1,720)		(1,720)	
NET EXPENDITURE	265,138	279,921	(10,331)	4,452	5,833
FINANCED BY:					
Collection Fund Deficit	8,807	8,807			
Use of Reserves to offset Collection Fund Deficit	(8,807)	(8,807)			
General Use of Reserves	(11,879)	(11,879)			
Transfer to Earmarked Reserves - Business Rates Retention Pilot Gain	1,710	1,710			
Other Financing	(254,969)	(254,969)			
TOTAL FINANCING	(265,138)	(265,138)			
NET FORECAST VARIANCE	-	14,783	(10,331)	4,452	5,833

2.3 The forecast outturn to the end of the year, after a predicted and proposed (net) in-year transfer from reserves totalling £10.331m is an adverse operational variance of £6.172m, this reduces to a forecast pressure of £4.452m with the anticipated outcome of increased management actions and strengthened spending and recruitment restrictions. Section 8 provides more detail about the approved and planned use of reserves at Quarter 2. However, key financing issues to note are:

- a) As advised during the 2022/23 budget setting process, there is a movement from reserves of the Section 31 Grant Funding (£8.807m) for Business Rate Relief compensation which was received in 2021/22 and is being used to support the 2022/23 budget.
- b) It should be noted that the 2022/23 budget report assumed that the technical adjustment relating to Section 31 Grant Funding would be £13.092m. This has been revised as the Business Rate Relief adjustment was finalised when preparing the 2021/22 accounts and changed from £8.888m to £8.807m. Guidance received from the Chartered Institute of Public Finance and Accountancy after the 2022/23 Revenue Budget was set advised that the technical adjustment for the COVID-19 Additional Relief Fund (CARF) of £4.204m was not required. Hence the final technical adjustment after the revision was £8.807m

2.4 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 the lasting impact of the COVID-19 pandemic. During the 2022/23 budget setting process, £12.000m was set aside and retained as a corporate provision to be utilised to mitigate the legacy costs of the pandemic. There are currently two areas which are enduring significant pressures attributed to the after-effects of the pandemic; Community Health and Adult Social Care reporting £7.028m and Children's Services reporting £3.961m. These pressures when offset against the £12.000m leave a balance of £1.011m in the corporate provision, which is being applied to support the business as usual pressure.

Table 2 below analyses the variance between 'business as usual' and COVID-19.

Table 2 - Analysis of Variances

	COVID 19 Costs included in forecasts £000	Business as Usual £000	Variance Quarter 2 £000
Community Health and Adult Social Care	7,028	1,015	8,043
Children's Services	3,961	7,336	11,297
Public Health		(339)	(339)
Communities		(299)	(299)
Place and Economic Growth		2,717	2,717
Corporate Services		(339)	(339)
Capital Treasury and Technical Accounting		(2,908)	(2,908)
COVID-19 Legacy Funding	(10,989)	(1,011)	(12,000)
Management Actions/ Spending Restrictions		(1,720)	(1,720)
Total	-	4,452	4,452

2.5 Community Health and Adult Social Care (CHASC) is reporting a net adverse variance of £8.043m, after a £1.695m use of reserves. The adverse variance comprises £7.028m of COVID-19 related expenditure, in the main due to the demand for care packages linked to hospital discharges. The residual adverse variance of £1.015m relates to 'business as usual' activities.

2.6 Children's Services is forecasting a net adverse variance of £11.297m, after a £2.186m use of reserves. The main pressure is within Children's Social Care (CSC) which is showing an overspend of £11.252m. The adverse variance within CSC attributes £3.961m to COVID-19, in the main due to an increased demand for social care placements both throughout and following the pandemic. Parallel to this, additional costs are being incurred in the use of supernumerary agency workers to reflect the lasting increase in demand for services and the impact on case numbers. The residual CSC adverse variance of £7.291m relates to operational pressures across the Division, again driven by placement and staffing pressures. Education, Skills and Early Years is reporting an overspend of £0.073m and Preventative Services is showing an underspend of £0.028m; a combined business as usual overspend of £0.045m.

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- 2.7 Public Health is forecasting an operational underspend of £0.339m after a net £3.049m use of reserves primarily related to the use of the Contain Outbreak Management Fund grant which was brought forward from 2021/22.
- 2.8 Communities, now comprising solely of the Youth, Leisure and Communities Division is showing an underspend of £0.299m after utilising £0.676m of reserves.
- 2.9 Place and Economic Growth Portfolio is forecasting an overspend of £2.717m net of a £1.585m use of reserves, in the main due uncertainty in realising Budget Reductions. None of the adverse variances have been attributed to the lasting impact of COVID-19 and is therefore being wholly classed as an operational pressure.
- 2.10 The Corporate Services Directorate is forecast to underspend by £0.339m, all of which relates to 'Business as Usual' and is after a £1.140m use of reserves. There are pressures totalling £0.286m; HR and Organisational Development (£0.050m), Commissioning and Procurement (£0.075m), Customer, Digital and Transformation (£0.111m) and Communications and Research (£0.050m). The pressures are offset by favourable variances totalling £0.625m relating to; Finance (£0.453m), Chief Executive, Management and Executive Office (£0.028m), Legal Services (£0.032m) and Strategy and Performance (£0.112m).
- 2.11 Capital, Treasury and Technical Accounting is showing a favourable variance of £2.908m, all of which relates to 'business as usual'
- 2.12 A more detailed analysis of the financial performance, the major variances and contributing factors can be found by Directorate in Section 3.
- 2.13 The approved budget for 2022/23 included centrally held resources to fund the final pay award (£1.500m), general inflationary pressures (£0.942m) and the escalating cost of energy (£1.500m). Reserves have also been set aside to fund any additional pressures above these sums. The approved budgetary funding is being utilised as follows:
- Funding for the **pay award** of £1.500m was retained centrally and is fully committed following confirmation of the final pay award. There is a dedicated reserve that, together with the balance of the inflationary pressures budget (referred to below), will be used to fund the impact of the pay award. Centrally held resources are being reallocated to service budgets to reflect the costs arising from the pay award.
 - The funding for **inflationary pressures** has been allocated directly to services where appropriate leaving a balance which, as advised above, is being used to fund the full impact of pay awards in service budgets. The £0.942m budget is forecast as being fully spent.
 - The funding for **energy pressures** has been fully utilised and allocated to the People and Economic Growth Portfolio. Once again there is a dedicated reserve that is currently sufficient to deal with any shortfall.
- 2.14 It is important to note that one 2022/23 approved Budget Reduction totalling £0.500m within Children's Services is currently forecast not to be achieved and is therefore rated 'Red - off track and will not deliver', further details are provided in section 3.2.13. The £0.500m is contributing to the adverse variance for the Portfolio.
- 2.15 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
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saving' and which are reporting to have achieved £0.987m to quarter 2 of the financial year. These will continue be monitored throughout the year to maximise deliverability. A further two Budget Reductions with a combined value of £1.500m are rated 'Amber – off track but measures in place to recover the position'. These Budget Reductions will need to be closely monitored to ensure they do not become unachievable. A schedule and assessment of all the 2022/23 Budget Reductions is attached as Appendix 3.

- 2.16 In view of the projected adverse variance, previous reports have advised of measures that have been initiated to address the overspending, namely:
- management actions across all service areas to review and challenge planned expenditure and to maximise income,
 - processes to monitor the recruitment of staff to vacant posts and significant items of expenditure,
 - ensuring non-essential expenditure is minimised.
- 2.17 Given the current level of overspend and if unaddressed its potential impact on the 2023/24 budget setting process, corporate processes in relation to the above have been reviewed, strengthened and widened in scope in that Management Board members will review Council wide activity not just their own Service areas. It is anticipated that the combined effect of these measures together with any additional funding that might be used to offset Adult Social Care pressures will reduce the year-end adverse outturn by £1.720m to produce a forecast deficit of £4.452m. Section 8.5 provides detail of a transfer of provisions to reserves specifically to cover this anticipated deficit, although action will continue with the aim of reducing the overall forecast still further.
- 2.18 The effectiveness of the ongoing management action and the strengthened corporate procedures will obviously need to be closely monitored by Management Teams with regular progress updates being provided to the Management Board and Portfolio Holders.

3 Directorate Summaries

3.1 Community Health and Adult Social Care

- 3.1.1 The Directorate 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 Directorate at Quarter 2.

Table 3 – Community Health and Adult Social Care- Forecast Outturn

	Revised Budget £000	Forecast £000	Use of Reserves £000	Variance £000
Adult Social Care - COVID 19	-	7,028	-	7,028
Commissioning	14,478	14,500	(45)	(23)
Community Business Services	1,971	1,848	(150)	(273)
Community Health & Social Care	25,039	24,878	-	(161)
Director Adult Social Care	2,224	2,132	-	(92)
Learning Disability	13,714	16,239	(1,500)	1,025
Mental Health	8,835	9,194	-	359
Safeguarding	971	1,151	-	180
Total Forecast Net Expenditure	67,232	76,970	(1,695)	8,043

Summary

- 3.1.2 The lasting effect of the pandemic is continuing to have a significant impact on the Portfolio, with a projected budget pressure of £8.043m, after a £1.695m use of reserves. The predominant factor contributing to the overspend is the COVID-19 related expenditure: Adult Social Care is one of the Council's services most affected by the pandemic and the legacy impact continues to cause significant financial pressure and it is probable that the financial forecasts will be subject to further revision.
- 3.1.3 There is a £7.028m overspend forecast for costs related to COVID-19. These are legacy costs which are incurred as a result of individuals being funded via the Hospital Discharge Programme (reclaimed from the NHS) in the previous two financial years. As this funding ceased on 31 March 2022, the Council has to finance the whole cost. Budget to offset this expenditure is held and monitored corporately.
- 3.1.4 In September the Government announced a £500m allocation of funding to support the costs related to hospital discharge, but did not release any detail as to the allocation of the grant. The Adult Social Care Discharge Fund was announced on 18 November 2022. A sum of £200m is being made available to Local Government and the Council will receive £0.935m directly. A further £300m is being allocated to the NHS via the Better Care Fund so the Council should receive funding from the £19.558m to be received by the Greater Manchester Integrated Care Board. There are detailed grant conditions attached to the funding and the impact on the financial position of the Council is currently being assessed.
- 3.1.5 'Business as usual' variances represent the remaining £1.015m of the overspend. The main reasons for the adverse variance are detailed in the following paragraphs.

Learning Disability

- 3.1.6 Learning Disability is showing an overspend £1.025m (£0.704m at quarter 1) after the use of £1.500m of reserves to support transitions from Children's Social Care. There is a pressure of £5.281m offset in part by income contributions from residents and the NHS which are forecast to exceed the budget by £4.271m and are helping to offset the majority of the cost pressures.

Mental Health

- 3.1.7 Mental Health is forecasting an overspend of £0.359m (£0.480m at quarter 1). Several vacancies mean salary budgets will underspend by £0.164m and projected income is £0.744m higher than budgeted levels, however there are considerable pressures reported in community care of £1.267m.

Safeguarding and Commissioning

- 3.1.8 Safeguarding has a projected overspend of £0.180m (£0.194m at quarter 1) all of which is attributable to increased salary costs. There are currently four full time temporary posts over-established within the Multi-Agency Support Hub (MASH) team due to an increase in activity and staffing shortages elsewhere in the system. The Adult Referral Contact Centre is now up and running, albeit with reduced staff, and the service is confident that, the need for additional staff will start to reduce, even more so as a fully staffed service is established.

3.1.9 Offsetting the adverse variances above are combined underspends totalling £0.549m which are being forecast in Community Health and Social Care (£0.161m) and Community Business Services (£0.273m) mainly due to income recovery from client contributions and vacant posts. The Director of Adult Social Care and Commissioning Services have underspends of £0.092m and £0.023m respectively.

Achievement of Budget Reductions

3.1.10 The Directorate has approved Budget Reductions of £3.974m in 2022/23 of which £2.474m are rated 'Green – on track and will be delivered'. Two with a combined value of £1.500m have been rated 'Amber - off track but measures in place to recover the position', of which £0.351m have currently been delivered bringing the total of achieved Budget Reductions at quarter 2 to £2.825m. The service is confident that the remaining balance of £1.149m will be delivered by the end of the financial year. For this reason a pressure has not been forecast in the current monitoring position.

3.2 Children's Services

3.2.1 The following table shows the forecast position after the approved and planned use of reserves for the Directorate at Quarter 2.

Table 4 – Children's Services

	Revised Budget £000	Forecast £000	Use of Reserves £000	Variance £000
Children's Social Care	38,302	50,400	(846)	11,252
Education, Skills & Early Years	9,115	10,380	(1,192)	73
Preventative Services	3,501	3,621	(148)	(28)
Schools	(39)	(39)	-	0
Total Forecast Net Expenditure	50,879	64,362	(2,186)	11,297

Summary

3.2.2 The Directorate has a projected overspend of £11.297m (£7.980m at quarter 1). The overspend includes costs of £3.961m (all within Children's Social Care) due to the lasting impact of COVID-19 and incorporates the use of reserves totalling £2.186m. The principal underlying reasons are detailed below.

Children's Social Care

3.2.3 This Division is projecting an £11.252m overspend at Quarter 2 (£7.908m at quarter 1) and incorporates the use of reserves totalling £0.846m.

3.2.4 Throughout 2020/21 and 2021/22 it was necessary to employ additional temporary social work staff to cover the increase in demand and increased caseloads as a result of the pandemic. The current cohort of additional workers is expected to cost £0.817m if retained for the whole of the financial year. A further £2.887m is relating to COVID-19 legacy placement costs for specific children who came into care during the pandemic. An overspend in disbursement/legal costs is anticipated at £0.257m due to the upturn in demand for specialist legal services as a by-product of the pandemic. This brings the total anticipated spend due to the lasting impact of COVID-19 to £3.961m which is a reduction of £0.175m compared to quarter 1. Budget for COVID-19 related expenditure is held corporately and will be notionally allocated to services at the year end.

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- 3.2.5 There is a further operational, business as usual forecast deficit of £7.291m, again in the main relating to social care placements including high-cost external residential packages (£3.844m), with further variances in relation to Adoption (£0.251m), Children with Disabilities Short Breaks (£0.236m), No Recourse to Public Funds/ Assistance to Families (£0.197m); £4.528m in total. There is a net overspend of £1.354m on social care establishment staffing costs and a further pressure of £1.337m due to a number of agency workers being employed to deal with demand pressures. A number of small miscellaneous variances account for the remaining (net) pressure of £0.072m
- 3.2.6 Social workers in Children's Social Care play a critical role in supporting and protecting children, young people and families within the community. However, the challenge of recruiting and retaining social workers within Children's Services is something that is being experienced not only in Oldham but also regionally and nationally, creating a reliance on employing temporary social work staff to deal with demand. This is then compounded by rapidly increasing hourly rates for the agency staff being engaged. Management action is being taken to help with combatting the problem by extending the dedicated social work academy to invest not only in supporting extra newly qualified social workers in an Assessed and Supported Year in Employment (ASYE) but also to invest in a number of new trainee social workers. The trainee social workers are being offered university placements alongside on-the-job experience with dedicated support from practice co-ordinators. A 'grow your own' approach has proven successful in many Local Authorities across the country with successful recruitment and retention as a result. In addition, initiatives to counter the increasing cost and use of Agency staff are being formulated at a GM and North West level.
- 3.2.7 During the COVID-19 pandemic and ultimately following, Children's Social Care in Oldham has experienced an increased volume in demand which has led to a high number of young people becoming Children in Need or Children Looked After. This combined with the high cost of external residential and foster care placements has put even greater pressure on the Directorates budget in 2022/23. Whilst demand cannot be wholly controlled, Senior Management is dedicated to addressing these issues and a number of management actions are being implemented to address such problems. Whilst continuing to monitor the approval of placements through the Additional Resource Panel, an invest to save proposal has been introduced which uses an external research agency to work with managers and social care staff to address demand management to tackle both operational and financial pressures. Other management initiatives and actions to deal with on-going budgetary and operational pressures whilst continuously promoting the welfare of children in Oldham include;
- Rivendell House – a 4 bedrooled Children's Residential Care home owned and operated by the Authority. It was re-opened in July 2021 to support 4 young people in-house rather than commissioning high-cost external residential provision, there are currently 2 young people in-situ, a third occupant is expected in the very near future and full occupancy is targeted for the end of the calendar year.
 - Hub and Spoke Foster Care model – to invest in a number of specialised foster carers to provide support to a network of internal foster carers with an intention to prevent placement breakdown, support the assessment process following reception into care, enable more children to stay in Oldham foster care placements and to support children to move into Oldham fostering placements from external residential provision. This will strengthen Oldham's internal foster carers network and reduce the requirement to place young people in more expensive external foster care or residential placements.
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- Edge of Care – the creation of a ‘rapid response’ Edge of Care team to target children and families where the child is at risk of being taken into care. There is substantial evidence that these types of interventions are having a positive impact on outcomes for children and young people which are relevant to the development of Oldham’s approach.
 - Closer Commissioning Ltd – an independent review considering the future development and utilisation of children’s residential care within the borough has now been completed and its recommendations are being considered.
 - Gang Response and Early Collaborative Intervention Project (GRiP) – this project is in its second year and provides a partnership approach between the Complex Safeguarding Team and Positive Steps to respond to an escalation of concerns around contextual risk, social groups and gang related activity, notably placing our most vulnerable young people in positions of risk.

3.2.8 Whilst the impact of all of these management actions is not currently financially quantifiable in 2022/23, they are intended to deliver cost reductions. Progress will be monitored throughout this financial year and into the future. As advised in reports elsewhere on the agenda, recognising the on-going pressures and the need to invest to deliver the Councils priority of supporting children and young people, the budget for 2023/24 is being rebased with further one-off investment to pump prime a range of developments and invest to save initiatives. This investment will not only improve services but will deliver savings over the medium term.

Education, Skills and Early Years

3.2.9 The area is reporting a £0.073m overspend at Quarter 2 and incorporates the use of reserves totalling £1.192m.

3.2.10 The SEND Service is forecasting a £0.772m overspend at quarter 2. This is due to the impact of the new Home to School contracts awarded from September 2022. There are favourable variance across the Service offsetting this pressure which comprising £0.523m savings against the schools PFI contracts and £0.177m against staffing budgets.

3.2.11 0-19 Children’s Services are for 2022/23 being delivered under a Section 75 Partnership Agreement with the Northern Care Alliance NHS Foundation Trust; a funding gap of circa £0.700m was identified based on the transfer information. This is expected to be mitigated by staff and vacancy management in the current financial year, with work underway to reconfigure the services within the financial envelope, a balanced outturn is currently forecast.

Preventative Services

3.2.12 The area is reporting a small £0.028m underspend at quarter 2 and incorporates the use of reserves totalling £0.148m. The underspend relates wholly to vacant posts.

Achievement of Budget Reductions

3.2.13 Budget Reductions for the Directorate in 2022/23 total £1.432m of which £0.932m are rated ‘Green – on track and will be delivered’. There is currently one Budget Reduction,

External Placement Cost Avoidance which is being rated as ‘Red – off track and will not deliver.’ The full value of the option (£0.500m) is contributing to the adverse variance within Children’s Social Care.

3.3 Public Health

3.3.1 The following table shows the forecast position after the approved and planned use of reserves for the Directorate at Quarter 2.

Table 5 – Public Health

	Revised Budget £000	Forecast £000	Use of Reserves £000	Variance £000
Public Health (Client and Delivery)	19,305	22,077	(3,084)	(312)
Heritage, Libraries and Arts	4,994	4,932	35	(27)
Total Forecast Net Expenditure	24,299	27,009	(3,049)	(339)

Summary

3.3.2 The Directorate has a projected underspend, all designated as Business as Usual of £0.339m and incorporates the use of reserves of £3.049m. The principal underlying reasons are detailed below.

3.3.3 Public Health (Client and Delivery) is showing an underspend of £0.312m which is due to slippage on staffing costs and the removal of Public Health funding to services within the Council following a staffing restructure. Use of reserves is in the main the continued use of the Continued Outbreak Management Fund received in 2021/22 (£3.081m). It is important to note that it is possible that the Government may seek reimbursement of the grant. The situation is subject to confirmation is being monitored closely, with further details provided at section 4.2.

3.3.4 The Heritage, Libraries and Arts Service is reporting an underspend of £0.027m at month 6. There are vacancies in the Libraries Service, increased income for Oldham Theatre Workshop and underspends within non-pay budgets.

Achievement of Budget Reductions

3.3.5 Budget Reductions for the Directorate in 2022/23 total £0.522m and are all rated ‘Green – on track and will be delivered’.

3.3 Communities

3.4.1 The following table shows the forecast position after the approved and planned use of reserves for the Directorate at Quarter 2.

Table 6 - Communities

	Revised Budget £000	Forecast £000	Use of Reserves £000	Variance £000
Youth, Leisure & Communities	6,534	6,911	(676)	(299)
Total Forecast Net Expenditure	6,534	6,911	(676)	(299)

Summary

3.4.2 The Directorate, now comprising solely of Youth, Leisure and Communities has a projected, business as usual underspend of £0.299m and incorporates a net use of reserves totalling £0.676m.

3.4.3 There is a pressure of £0.095m within Outdoor Education which is due to a reduction in income which is offset by vacancies, particularly in the District Partnerships team.

Achievement of Budget Reductions

3.4.4 Budget Reductions for the Directorate in 2022/23 total £0.063m and are all rated 'Green – on track and will be delivered'

3.5 Place and Economic Growth

3.5.1 The following table shows the forecast position after the approved and planned use of reserves for the Directorate at Quarter 2.

Table 7 – Place and Economic Growth

	Revised Budget £000	Forecast £000	Use of Reserves £000	Variance £000
Economic Development, Enterprise and Skills	2,003	5,970	(1,321)	2,647
Environmental Services	52,808	53,142	(264)	70
Total Forecast Net Expenditure	54,810	59,112	(1,585)	2,717

Summary

3.5.2 The Directorate has a projected overspend of £2.717m all of which is attributed to business as usual and incorporates a net use of reserves totalling £1.585m. The principal underlying reasons are detailed below.

Economic Development, Enterprise and Skills

3.5.3 The area is forecasting an overspend of £2.647m (£2.872m at quarter 1) after a £1.321m use of reserves. The main reasons for the adverse variance are detailed below:

- There is an estimated pressure against the Corporate Landlord / Investment Estate totalling £1.856m which includes an allocation of £1.700m to offset increases in utility costs, and reflects the Amber/Red status of the two Creating a Better Place budget options assuming only £0.708m of the total £2.720m will be achieved.
- Facilities Management is projecting an overspend of £0.211m relating principally to an overspend of £0.271m in the Catering Service being offset by an overachievement of income within the Cleaning Service of £0.060m.
- There is a pressure relating to the Town Centre of £0.354m due to the underachievement of income within the Market Service (£0.380m) which is being partially offset by vacant posts within the service (£0.026m).

- Strategic Housing is expected to overspend by £0.226m following a review of the expected costs for temporary accommodation.

Environmental Services

3.5.4 The area is forecasting an overspend of £0.070m after a £0.264m transfer from reserves. The main reasons are detailed below:

- Strategic Highways is showing an overspend of £0.313m as a result of a review into the expected achievable level of capitalisation of staff costs.
- Public Protection services are expected to overspend by £0.068m principally due to a reduction in the expected level of fines income.
- Environmental Management is forecast to underspend by £0.298m due to vacant posts within the service and additional income within Cemeteries and Crematoria.
- Street Lighting is showing a forecast underspend of £0.013m relating to vacant posts and anticipated reductions on the PFI contract.

Achievement of Budget Reductions

3.5.5 Budget Reductions for the Directorate in 2022/23 total £3.612m of which £0.892m are rated 'Green – on track and will be delivered'. There are two Budget Reductions rated 'Amber' with a combined value of £2.720m, as shown below, to date which relate to:

- Creating a Better Place – Projects and Assets (£2.620m)
- Creating a Better Place – Income Generation (0.100m).

3.5.6 The Budget Reductions above are rated as Amber/Red and would therefore not ordinarily be forecast as an adverse variance. There is however a high degree of uncertainty in relation to deliverability, particularly in the current economic climate, a pressure of £2.012m is therefore being recorded, the position will be monitored throughout the year to maximise deliverability.

3.6 Corporate Services

3.6.1 The following table shows the forecast position after the approved and planned use of reserves for the Directorate at Quarter 2.

Table 8 – Corporate Services

	Revised Budget £000	Forecast £000	Use of Reserves £000	Variance £000
Chief Exec., Management and Executive Office	4,836	4,808	-	(28)
Commissioning and Procurement	496	571	-	75
Finance	6,593	6,186	(46)	(453)
Legal Services	3,559	4,031	(504)	(32)
Communications and Research	985	1,275	(240)	50
Customer, Digital and Transformation	6,283	6,594	(200)	111
Strategy and Performance	864	752	-	(112)
HR & Organisational Development	2,648	2,848	(150)	50
Total Forecast Net Expenditure	26,264	27,065	(1,140)	(339)

Summary

- 3.6.2 The Directorate has a projected underspend of £0.339m and incorporates the use of reserves totalling £1.140m. The principal underlying reasons are detailed below.

Chief Executive, Management and Executive Office

- 3.6.3 The area is reporting an underspend of £0.028m which relates to reduced costs and favourable income recovery.

Commissioning and Procurement

- 3.6.4 The Division is reporting an overspend of £0.075m at Quarter 2. The service is continuing to experience difficulties in recruiting to permanent posts, this is resulting in a pressure of £0.363m due to the necessity of having to retain interims, this is being offset by vacant posts of £0.348m. The service is also reporting a pressure of £0.060m against the Early Payment scheme.

Finance

- 3.6.5 The Division is reporting an underspend of £0.453m at Quarter 2. There are vacancies across the Finance Division and underspends on non-pay budgets which are offsetting a pressure in Revenues and Benefits relating to agency staff engaged to support increased service demand.

Legal Services

- 3.6.6 There are vacancies across the Legal Division which are offsetting in part a pressure in relation to income from schools buy back in the Legal Team and which in total produces a net forecast underspend of £0.032m.

Communications and Research

- 3.6.7 The service is recording an overspend of £0.050m, primarily as a result of additional marketing costs

Customer, Digital and Transformation

- 3.6.8 The Division is reporting a pressure of £0.111m at Quarter 2. There are vacant posts across the Division the favourable variance from which is offset in part by agency costs in Customer Services, Transformation, and ICT with a net favourable variance of £1.047m. This includes the underspend of £0.296m in Customer Services which is for eligible staff costs that are being offset against a COVID-19 grant in 2022/23 and funding from Housing Options. There is a reported pressure of £0.057m in the schools ICT service which relates to upfront telephony system costs and a pressure of £0.708m in ICT over and above the amount which can be charged to capital fees and an emerging pressure of £0.367m for third party costs such as licenses and maintenance agreements. It is anticipated that this pressure on capital fees will reduce during the financial year as the capital programme progresses.

Strategy and Performance

3.6.9 The Division is reporting an underspend of £0.112m due to vacant posts.

HR and Organisational Development

3.6.10 The Division is reporting a pressure of £0.050m. An income pressure in the HR Advisory Service is partly being offset by vacant posts.

Achievement of Budget Reductions

3.6.11 Budget Reductions for the Directorate in 2022/23 total £1.382m of which six totalling £0.749m are rated 'Green – on track and will be delivered' and have been fully achieved at quarter 2. The following three Budget Reductions are currently rated 'Amber/Red – off track and will only deliver part of the saving', the total value of the options is £0.633m and the predicted shortfall is £0.354m.

- Internal Efficiency Initiatives (Unity Partnership); £0.363m with £0.050m reported as achieved at Quarter 2
- Human Resources and Organisational Development; £0.250m, £0.229m achieved
- Information and Communications Technology (ICT) of £0.020m, not currently being achieved.

3.6.12 These will be monitored throughout the year to maximise deliverability.

3.7 Capital, Treasury and Technical Accounting

3.7.1 The following table shows the forecast position for the Directorate at Quarter 2.

Table 9 – Capital, Treasury and Technical Accounting

	Revised Budget £000	Forecast £000	Use of Reserves £000	Variance £000
Capital, Treasury and Technical Accounting	21,954	19,046	-	(2,908)
COVID-19 Legacy Funding	12,000	-	-	(12,000)
Corporate and Democratic Core	833	833	-	-
Parish Precepts	333	333	-	-
Total Forecast Net Expenditure	35,120	20,212	-	(14,908)

Summary

Capital, Treasury and Technical Accounting

3.7.2 The Directorate holds the budgets associated with the Council's Treasury Management activities including interest payable on borrowing and interest receivable on investments and is reporting a wholly business as usual underspend of £14.908m at Quarter 2.

3.7.3 As mentioned above in paragraph 2.4 of the report, COVID-19 Legacy funding is being held centrally within this division. This contributes £12.000m towards the £14.908m Portfolio underspend. The corresponding expenditure that this provision is funding is currently being reported within CHASC (£7.028m) and Children's Services (£3.961m)

leaving an overall favourable corporate balance of £1.011m in relation to the COVID-19 funding, currently being used to support business as usual pressures.

- 3.7.4 The favourable residual Portfolio variance of £2.533m is due to projected favourable non-pay variances including past pension costs and banking charges. This is offset by an adverse variance with regard to the Annual Leave Purchase Scheme and loss of income through reduced buy back of the Schools and Academies Cash Collection service. There is also a £0.100m adverse variance on corporate insurances due to an increase in the volume of insurance claims being processed, however this will continue to be reviewed. The £1.159m increase in positive variance between quarters 1 and 2 is largely due to £1.044m received from the Greater Manchester Combined Authority (GMCA), being the Councils share of a £10.000m GM wide waste reserve refund.
- 3.7.5 The Housing Benefit service is expected to have no forecast variance in 2022/23. Whilst there are pressures in relation to temporary accommodation, the movement of working age benefits claimants on to Universal Credit is offsetting the pressure.

Achievement of Budget Reductions

- 3.7.6 The single Budget Reduction of £0.750m for the Directorate for 2022/23 is rated 'Green – on track and will be delivered' and has been fully achieved at Quarter 2.

4 Other Grants and Contributions Received by the Council

- 4.1 Members will recall that in 2021/22 the Government provided a range of both ringfenced and un-ringfenced grants to support the response to COVID-19. There have been no new notifications in the first half of 2022/23, however there are residual sums in relation to the funding received in 2020/21 and 2021/22 with the Council bringing forward into 2022/23 unspent balances totalling £3.138m in relation to seven ring-fenced COVID-19 grants. The application of these grants has therefore been treated as a drawdown from reserves.
- 4.2 The single largest sum (£3.081m) is in relation to the Contain Outbreak Management Fund (COMF). Central Government raised some concerns in June about the availability of the balance of the COMF grant in 2022/23. Having previously been assured that any grant that was not spent in 2021/22 could be carried forward into 2022/23, the Government has indicated that it considers that there should be little need to continue to spend resources on the COVID-19 response. Councils have been advised that they will have to evidence how any actual expenditure and future commitments funded by the COMF grant comply with the prevailing guidance. In view of this, there is some risk about the availability of the COMF to support existing commitments which include staffing contracts, albeit that the risk is considered to be low.
- 4.3 In addition to the above, the Council has received a number of specific Grants from the Government or other sources which have been ringfenced to Directorates to be utilised on certain defined activities. At Quarter 2, Directorates are forecasting a total of £65.148m of ringfenced grants to be used for specific purposes which have been either new notifications for 2022/23 or grants received in prior years where terms and conditions allow for usage in the current and potentially future years. The table below shows the total grants forecast by Directorates up to Quarter 2.

Table 10 – Grants Ringfenced to Directorates

Directorate	Carried Forward from 2021/22 £000	New Allocations 2022/23 £000	Forecast £000
Community Health and Adult Social Care	0	(16,714)	(16,714)
Children's Services	(137)	(16,253)	(16,390)
Public Health	(360)	(1,998)	(2,358)
Communities	(295)	(552)	(847)
Place and Economic Growth	(60)	(4,647)	(4,707)
Corporate Services	(78)	(5,254)	(5,332)
Total Ringfenced Grants include within the Net Revenue Budget	(930)	(45,419)	(46,348)
Housing Revenue Account	0	(18,799)	(18,799)
Total	(930)	(64,218)	(65,148)

4.4 As highlighted in the table above, grants (not related to COVID-19) received in previous years and carried forward into 2022/23, all within the Net Revenue Budget total £0.930m with new allocations for 2022/23 totalling £64.218m; £65.148m in total (£46.348m within the net Revenue Budget and £18.799m within the Housing Revenue Account). Dependant on the terms and conditions of the individual grant, some of the above income could be carried forward into 2023/24 to be utilised in future financial years.

4.5 Of the £45.419m of new General Fund allocations, £14.288m relates to the Better Care Fund Grant which is awarded by NHS England and distributed by Integrated Care Boards. This is included within the Community Health and Adult Social Care net revenue budget. A further £13.166m relates to PFI Credits received to support unitary charge payments across the Councils four Revenue Fund PFI schemes. A further two PFI schemes, with grant totalling £18.799m sit within the Housing Revenue Account.

4.6 A total of 53 additional Government Grants are included in the forecasts for 2022/23 totalling £49.738m. Of this sum, £30.939m is within the Revenue Budget and £18.799m relate to the Housing Revenue Account PFI Credits. A further 5 grants have been awarded from other sources and classed as 'other grants' totalling £15.410m.

4.7 Twenty eight of the grants have an individual value which is greater than £0.150m and total £63.338m. The remaining £1.810m relates to 30 grants with individual values less than £0.150m. A full list of these grants can be found at Appendix 2.

4.8 It should be noted that due to the timing of the notification of the Adult Social Care Discharge Fund (November 2022), this is not included in the table of grants notified at the end of quarter 2.

5 Schools

5.1 The Council's expenditure on schools is funded primarily by the Dedicated Schools Grant (DSG) which is provided by the Department for Education. DSG is ring-fenced and can only be applied to meet expenditure properly included in the Schools' Budget, as defined in the School and Early Years Finance (England) Regulations 2022. 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 The DSG is made up of the following 4 blocks of funding as follows;

- Schools
- High Needs
- Early Years
- Central Schools Services

5.3 For a number of years there has been considerable financial pressure on the DSG, particularly in the High Needs Block. At the start of 2022/23, the cumulative DSG deficit was £2.773m, the DSG having been in deficit since 2016/17. This is historically due to expenditure exceeding the High Needs budget available each year. As can be seen from the table below, the cumulative High Needs Block Deficit, if taken as a stand-alone element was £15.269m at the start of 2022/23. The key contributors to this pressure 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

The Schools Forum, which must agree the allocation of the DSG, has historically agreed transfers between the Schools and High Needs Blocks (£8.296m between 2016/17 and 2021/22). Due to the increased funding received in 2022/23 there was no requirement for a transfer in this financial year.

5.4 The High Needs Block is currently forecasting an in year surplus of £4.058m. Excluding the cumulative support from the Schools Block, this reduces the forecast cumulative deficit forecast to £11.211m as of 31 March 2023. The deficit is offset by cumulative virements (£8.296m) and savings from the Schools and Early Years Blocks (£3.357m) to leave a net forecast, cumulative High Needs Block surplus of £0.442m (as illustrated in the table below).

Table 11 – DSG High Needs Block

DSG High Needs Block Key Issues	£000
Original High Needs Budget Allocation including adjustment for imports/exports, special free school funding and hospital education	(52,251)
Estimated Expenditure	48,193
Projected in Year Surplus	(4,058)
Deficit Brought Forward 01/04/2022	15,269
Cumulative Net Deficit	11,211
Offset by;	
- Virement from Schools Block- 2016/17 to 2021/22	(8,296)
- Savings in Schools and Early Years Block and Central Schools Services Block- 2015/16 to 2022/23	(3,357)
Projected High Needs Block Surplus 31/03/2023	442

Overall DSG Position and Recovery Plan

- 5.5 As the DSG has been in deficit for a number of years, the Council has been required to agree a DSG Financial Recovery Plan to agree how at least a balanced position could be achieved. This was first submitted to the Department for Education in 2019. 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 including the transfer of DSG funding between the Schools and the High Needs Funding Blocks that has been undertaken in prior years.
- 5.6 Oldham has been supported by the Education and Skills Funding Agency (ESFA) in its monitoring and management of the DSG with the Recovery Plan subject to review. In more recent developments Oldham has been invited by the Government to take part in the Delivering Better Value (DBV) in SEND Programme which provides dedicated support for the reform to high needs systems to 55 Local Authorities with historical deficit issues, the aim being to put more Local Authorities on a more sustainable footing so that they are better placed to respond to the forthcoming SEND Review reforms.
- 5.7 Oldham was selected as one of the Local Authorities to be invited to take part in the programme, as it had a significant percentage DSG deficit in 2020/21. The first 20 of the 55 Authorities started the programme in June, the second round (which includes Oldham) is now being launched. The Government is initially providing external consultancy advice to the Council to enable it to plan and agree improvements and a change programme. There is also funding available for the Council to fund new activities identified through the DBV initiative, the value of which is to be agreed.
- 5.7 The Schools Forum is regularly updated on the status of the Recovery Plan and it remains appropriate to present information in this format. The Council will continue to use the Recovery Plan arrangements as an effective means of monitoring the DSG position and turning the deficit to a surplus. The last meetings of the Schools Forum were on 21 September and 16 November 2022 and both meetings received an update in relation to the DSG including the Recovery Plan, which had again been updated 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 2024/25.
- 5.8 The table below shows the latest Recovery Plan (November 2022) 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 an in-year surplus in 2022/23 of £3.215m, which is sufficient to offset the deficit brought forward of £2.773m leaving a cumulative surplus of £0.442m to be carried forward into 2023/24.
- 5.9 Predominantly as a result of additional funding announced in December 2021, the deficit is reversed and the position improves to produce forecast surpluses of £3.273m at the end of 2023/24 and £3.830m at the end of 2024/25. Anticipated increases to High Needs funding are offset by the prudent inclusion in the Recovery Plan of a Service Improvement Development Fund to support a range of initiatives, the detail of which is still to be agreed but will complement the DBV in SEND programme as outlined above.
- 5.10 Discussions have been ongoing about High Needs places with the Special Sector and an agreement to fund places at to the maximum requested would be a decrease in surpluses to £2.311m at the end of 2023/24 and to £2.982m at the end of 2024/25 and there would

be a reduction to the Service Improvements Development Funding of £1.200 in 2024/25 to £3.600m.

Table 12 - Overall DSG Position

	2022/23 £000	2023/24 £000	2024/25 £000
Opening Balance – Deficit/ (Surplus)	2,773	(442)	(3,273)
Estimated Additional Pressures	2,968	3,920	5,906
2022/23 High Needs Block Increase	(4,852)	(4,852)	(4,852)
Additional High Needs Funding (announced December 2021)	(1,756)	(1,756)	(1,756)
Reverse Indicative Transfer (initially planned but not required for 2022/23)	1,124	-	-
Estimated change additional funding - Special Free School	(1,092)	-	-
Estimated Additional High Needs Funding - 6.7%	-	(3,625)	(3,625)
Estimated Additional High Needs Funding - 3%	-	-	(1,531)
Estimated cost increases Special Schools re inflation etc.	393	482	501
Estimated cost Post 16 re inflation and additional teaching hours	0	0	0
Service Improvements Development Fund	-	3,000	4,800
In Year (Surplus)	(3,215)	(2,831)	(557)
Current Net Forecast (Surplus)	(442)	(3,273)	(3,830)
Revised Net Forecast Surplus if funding for additional High Needs Places for 2023/24 is agreed at the maximum	(442)	(2,311)	(2,982)
Previously Reported Net Forecast Surplus (Quarter 1)	99	(2,090)	(2,087)

5.9 Clearly the overall DSG financial position has improved; the current estimates show that there could be a surplus at the end of 2023/24, which is a change to the trends of the last few years and is largely due to the additional funding expected from Central Government. Work will continue for the remainder of 2022/23 and beyond to ensure that the forecast surplus position for 2023/24 and 2024/25 is actually achieved and maintained and that the Service Improvement Development Fund is effectively deployed. However, it is important to note that the overall surplus position is expected to reduce as revised and more detailed expenditure estimates are confirmed.

5.10 The Autumn Statement of 17 November 2022 announced additional funding for schools for 2023/24 (£2.3bn) with a further £2.3bn for 2024/25. The distribution of this funding is not yet known and obviously has not been factored into current projections. The figures in this report are based on the information currently available.

6 Housing Revenue Account (HRA)

6.1 The current HRA position is presented in Table 13 and compares the initially approved HRA position to the current estimated outturn. The actual closing balance for 2021/22 at £21.719m was £0.572m lower than the final estimate of £22.291m. The original HRA forecast for 2022/23 was for a planned in-year decrease in balances of £1.808m, mainly to support housing related expenditure in the Capital Programme.

6.2 The current forecast is for an increased in year deficit of £2.114m, a net adverse movement of £0.306m. The variance is attributable to increased utility costs which are offset by the reprofiling of planned expenditure within the Capital Programme into later years. The projected year end HRA balance is £19.605m, a £0.878m adverse movement.

Table 13 - Housing Revenue Account Forecast Position

HRA Income & Expenditure Account	Original Budget £000	Actual 2021/22 & Latest 2022/23 Forecast £000	Variance to Budget £000
HRA Balances Brought forward from 2021/22	(22,291)	(21,719)	572
Deficit on HRA Services	1,808	2,114	306
HRA Balances Carried Forward	(20,483)	(19,605)	878

7 Collection Fund

7.1 The tables below show the forecast outturn position for the Collection Fund (the technical account within in which Council Tax and Business Rates (National Non Domestic Rates (NDR) are managed) and the forecast position in relation to the share of balances between the Council and the Greater Manchester Combined Authority precepting Authorities.

Table 14 - Collection Fund Forecast Position

Collection Fund Balance	Council Tax £000	NDR £000	Total £000
Balance Brought Forward	2,958	6,175	9,133
Contribution to deficit carried forward from 2021/22	(2,874)	(10,378)	(13,252)
Prior Year Balance Brought Forward	84	(4,204)	(4,119)
Surplus for the Year	(1,340)	(30)	(1,370)
Net (Surplus)/Deficit Carried Forward	(1,256)	(4,233)	(5,489)

Table 15 - Collection Fund – 2022/23 Share of Balances; Forecast Position

Collection Fund Balance	Council Tax £000	NDR £000	Total £000
Share - Oldham Council	(1,060)	(4,190)	(5,250)
Share – Greater Manchester Combined Authority Mayoral Police and Crime Commissioner	(135)	-	(135)
Share – Greater Manchester Combined Authority Mayoral General Precept (including Fire Services)	(61)	(43)	(104)
Total (Surplus)	(1,256)	(4,233)	(5,489)

7.2 Council Tax and Business Rates remain a significant source of funding for Council services. However, these areas can be volatile, the 2022/23 financial year is presumed to be no different with the lingering impact of COVID-19 and as such the financial position of the Collection Fund is under constant review. With regards to the Business Rates surplus brought forward from 2021/22, this was due to the delayed rollout of the £4.204m of COVID-19 Additional Relief Fund (CARF) allocations. The Business Rates reliefs available under the CARF scheme were originally assumed to be fully allocated within 2021/22, thus increasing the estimated deficit as the level of Business Rates to be

collected would be reduced. This was expected to be compensated for by un-ringfenced Section 31 grant of £4.204m included within the 2022/23 Revenue Budget. The £4.204m grant has been applied in 2022/23.

- 7.3 The Greater Manchester 100% Business Rates Retention Pilot has continued into 2022/23. Any financial benefits arising from membership within the pilot scheme will continue to be monitored and upon realisation, any beneficial financial resource will be used to support the Council's budget.
- 7.4 As highlighted in Table 14 and 15 above, current year end Collection Fund projections are showing an overall surplus of £5.489m, with the Council's proportion of this surplus being £5.250m. This is a particularly volatile area to forecast with many unknowns, therefore, this area will be closely monitored over the forthcoming months. Any anticipated financial impact in 2023/24 and future years will be considered within the context of the Medium-Term Financial Strategy.

8 Use of Reserves

- 8.1 Members will recall that at the Council budget meeting of 2 March 2022, it was agreed that a proposed use of Earmarked Reserves of £24.971m be used to support the 2022/23 budget including £0.405m to support the delivery of Budget Reductions for 2023/24 with an offsetting transfer to reserves of £1.710m for Retained Business Rates. Of the Earmarked Reserves to be used, £11.879m were to be met from the specific balancing budget reserve. A further £13.092m of reserves were to be used in 2022/23 as a result of Business Rates compensation funding received in 2021/22 and held in reserve to support the Collection Fund Deficit in 2022/23. Since the Budget Council meeting and as part of the closure of accounts the completion of the Business Rates Year End Return (NNDR3) and using guidance issued by CIPFA, it was determined that the Business Rate compensation related Collection Fund Deficit for 2022/23 would be revised downwards by £4.285m to £8.807m; a revision of £0.081m for Grant in Lieu of Business Rates and £4.204k in relation to the COVID-19 Additional Relief Fund (CARF) scheme. This resulted in the initial, total net call on reserves to support the revenue budget in 2022/23 of £20.686m, reducing to £18.976m with the transfer of £1.710m to reserves in relation to Business Rates Retention Pilot gains referred to above.
- 8.2 In addition to the above transfer to reserves the Quarter 2 position incorporates additional Directorate requests to use reserves with a total (net) value of £10.331m, therefore the budget as a whole currently relies upon the application of £29.307m of reserves, the resultant impact is for an estimated combined closing value of £80.651m, comprising £75.411m of Earmarked Reserves and £5.240m of Revenue Grant Reserves, as illustrated in the table below, it is however anticipated that this position will change as the year progresses:

Table 16 – Reserves Summary

	Earmarked Reserves £000	Revenue Grant Reserves £000	Total Reserves £000
Opening Balance as at 1 April 2022	(99,227)	(10,731)	(109,958)
Reserves applied to balance the Budget	11,879	-	11,879
Use of Reserves to offset Collection Fund Deficit	13,092	-	13,092
Reduction in Reserve to offset Collection Fund Deficit	(4,285)	-	(4,285)
Transfer to Earmarked Reserves - Business Rates Retention Pilot Gain	(1,710)	-	(1,710)
In Year Balance	(80,251)	(10,731)	(90,982)
Directorate Transfers from Reserve			
Community Health and Adult Social Care	1,695	-	1,695
Children's Services	296	1,890	2,186
Public Health	15	3,369	3,384
Communities	676	-	676
Place and Economic Growth	1,448	187	1,635
Corporate Services	1,094	46	1,140
Capital Treasury and Technical Accounting	-	-	-
Total Directorate Transfers from Reserve	5,224	5,491	10,715
Directorate Transfers to Reserves			
Community Health and Adult Social Care	-	-	-
Children's Services	-	-	-
Public Health	(335)	-	(335)
Communities	-	-	-
Place and Economic Growth	(49)	-	(49)
Corporate Services	-	-	-
Capital Treasury and Technical Accounting	-	-	-
Total Directorate Transfers to Reserve	(384)	-	(384)
Total Directorate Use of Reserves	4,840	5,491	10,331
Closing Balance as at Quarter 2	(75,411)	(5,240)	(80,651)

8.3 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.

8.4 A full review of all Reserves and Provisions has been completed, one of the outcomes is the identification of Provisions with a value of £5.405m that have been decommissioned and will be transferred to a specific Earmarked Reserve to support the currently anticipated £4.452m overspend within the 2022/23 revenue budget.

8.5 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 2023/24 and future years budget setting processes and Medium-Term Financial Strategy. Members will therefore recall that, over and above the current commitments, reserves of £6.000m to support the 2023/24 budget process and a further £3.932m in 2024/25 have already been approved.

9 Flexible Use of Capital Receipts

9.1 Members will recall that at the Council meeting of 2 March 2022, it was approved that up to £2.500m 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. In April 2022, guidance on the flexible use of capital receipts was updated by the Department for Levelling Up, Housing and Communities which extends the flexibility that has been in place since 2016. This allows the freedom to continue up to 2024/25 to help authorities plan for the long-term.

9.2 A number of schemes in support of the transformation programme which meet the qualifying expenditure requirements as detailed within the statutory guidance issued by the DLUHC have been identified and are itemised within the approved 2022/23 Capital Programme. The contribution to the Flexible Use of Capital Receipts is the first call on any receipts generated by the Council and processes are in place to monitor progress throughout the year as advised in Annex 2 to this report which sets out the Capital Programme position and confirms that receipts totalling £2.224m have been received to date, with an expectation that the amount required will be exceeded by the end of the financial year.

10 Conclusion

10.1 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 loss recorded to date but also relies on a series of assumptions which are both unpredictable and constantly changing.

10.2 The current projected position, after adjustment for reserves and the application of the full £12.000m of the Council funded provision for COVID-19 legacy pressures is showing an operational overspend of £6.172m, reducing to £4.452m with the anticipated effect of management actions and spending restrictions. The legacy funding is supporting £10.989m of expenditure, the balance of £1.011m is reducing a business as usual overspend from £7.183m to £6.172m. There is no expectation that there will be any further Government COVID-19 support whilst there is still a lasting cost to the Council.

10.3 The business as usual pressure is obviously of concern, driven in part by the uncertainty in relation to achieving Budget Reductions which has potential to impact on the 2023/24 budget setting process. For this reason, corporate measures aimed at scrutinising and limiting expenditure and monitoring the recruitment of staff to vacant posts have been reviewed, strengthened and expanded. These together with the full year effect of management actions are estimated to reduce the overspend by £1.720m to produce a £4.452m deficit outturn.

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- 10.4 Future reports will advise of the progress of mitigating factors and management actions to control and reduce the forecast deficit.
- 10.5 The reserves position is important in the context of financial resilience. Whilst the year started with healthy balances of earmarked reserves (£99.227m) and Revenue Grants Reserves (£10.731m), as advised in this report, net earmarked reserves of £23.816m and net Revenue Grant reserves of £5.491m are forecast to be called into support the 2022/23 budget, after which there is an anticipated combined reserves balance of £80.651m. It is also important to note that there is an already approved £9.942m use of reserves to balance the 2023/24 and 2024/25 budgets. At this level of utilisation, it is vitally important to minimise the use of reserves in year to maintain financial resilience of the Council.

FINANCING OF THE 2022/23 BUDGET AT QUARTER 2	Original Budget	Changes to Quarter 1	Additions to Quarter 2	Revised Budget
	£'000	£'000	£'000	£'000
Net Expenditure Budget	(260,686)			(260,686)
Financed by:				
Business Rates Top-up Grant	(42,923)			(42,923)
Grant in Lieu of Business Rates	(19,471)			(19,471)
Social Care Support Grant	(12,132)			(12,132)
Improved Better Care Fund Grant	(11,188)			(11,188)
2022/23 Services Grant	(4,467)			(4,467)
Independent Living Fund (ILF) Grant	(2,580)			(2,580)
Housing Benefit Administration Grant	(824)			(824)
Council Tax Administration Grant	(371)			(371)
Market Sustainability and Fair Cost of Care Fund	(758)	758		0
Local Authority Domestic Abuse Duty Grant	(580)	580		0
Lower Tier Services Support Grant	(437)			(437)
New Homes Bonus Grant	(562)			(562)
Revenue and Benefits Service New Burdens Grant	(13)	(78)		(91)
School Improvement Monitoring and Brokerage Grant	0	(44)		(44)
Verify Earnings and Pension Service Grant	0	(19)		(19)
Rough Sleeping Drug & Alcohol Treatment Grant	0	(509)	(94)	(603)
Capital Grants	0	(154)	(3,782)	(3,937)
Botox and Fillers Childrens Act Grant	0	(8)		(8)
Substance Misuse Treatment and Recovery Funding Grant	0	(505)		(505)
Adult Social Care charging reform: implementation support funding	0	(99)		(99)
Extended Rights to Free Travel Grant	0	(49)		(49)
Homes for Ukraine Grant	0	(441)		(441)
Temporary Pavement Licensing New Burden Grant	0		(8)	(8)
Total Government Grant Funding	(96,306)	(568)	(3,884)	(100,759)
Council Tax Income - General (Including Parish Precepts)	(90,697)			(90,697)
Council Tax Income - Adult Social Care Precept	(12,549)			(12,549)
Collection Fund - Council Tax Deficit 2020/21	2,192			2,192
Collection Fund - Council Tax Surplus 2021/22	(1,307)			(1,307)
Collection Fund Deficit	13,092	(4,285)		8,807
Retained Business Rates	(51,850)			(51,850)
Total Locally Generated Income	(141,119)	(4,285)	0	(145,404)
Total Grant and Income	(237,425)	(4,853)	(3,884)	(246,163)
Use of General Earmarked Reserves	(10,074)			(10,074)
Use of Specific Earmarked Reserves	(1,805)			(1,805)
Use of Earmarked Reserves - Collection Fund	(13,092)	4,285		(8,807)
Transfer to Earmarked Reserves - Business Rates	1,710			1,710
Retention Pilot Gain				
Total Use of Reserves	(23,261)	4,285	0	(18,976)
Total Financing	(260,686)	(568)	(3,884)	(265,138)

Appendix 2- Analysis of Grants

Grant Name	Grant Type	Carried Forward from 2021/22 £000	New Allocations 2022/23 £000	Forecast £000
Community Health and Adult Social Care				
Market Sustainability and Fair Cost of Care Fund	Govt.	0	(758)	(758)
Changing Futures in GM	Govt.	0	(322)	(322)
Community Discharge Grant	Govt.	0	(1,327)	(1,327)
Better Care Fund	Other	0	(14,288)	(14,288)
Balance: Grants less than £0.150m	Govt.	0	(19)	(19)
Sub Total		0	(16,714)	(16,714)
Children's Services				
PFI Credits (2 contracts)	Govt. (x2)	0	(8,891)	(8,891)
Staying Put Grant	Govt.	0	(201)	(201)
Skills Funding Agency Adult Education Grant	Govt.	0	(2,846)	(2,846)
Holiday Activities and Food Grant	Govt.	0	(1,166)	(1,166)
Youth Justice Board Grant	Govt.	0	(496)	(496)
Support to Victims of Domestic Abuse within Safe Accommodation	Govt.	0	(580)	(580)
Unaccompanied Asylum Seeking Children and Care Leavers	Govt. (x2)	0	(510)	(510)
Family Hubs and Start for Life programme	Govt.	0	(848)	(848)
Kickstart Grant	Other	0	(209)	(209)
Balance: Government Grants less than £0.150m	Govt. (x10)	(137)	(505)	(642)
Sub-Total		(137)	(16,253)	(16,390)
Public Health				
PFI Credits	Govt.	0	(1,803)	(1,803)
Additional Drug Treatment Crime and Harm Reduction	Govt.	(297)	0	(297)
Balance: Grants less than £0.150m	Govt. (x3)	(63)	(194)	(257)
Sub -Total		(360)	(1,998)	(2,358)
Communities				
Serious Violence Grant	Govt.	0	(175)	(175)
Community Safety	Other	(176)	(372)	(548)
Balance: Grants less than £0.150m	Govt. (x3) Other (x1)	(118)	(5)	(123)
Sub-Total		(295)	(552)	(847)
Place and Economic Growth				
PFI Credits	Govt.	0	(2,471)	(2,471)
Homelessness Prevention Grant	Govt.	0	(553)	(553)
A Bed Every Night (ABEN)	Govt.	0	(277)	(277)
Community Accommodation Services - Tier 3 Grant	Govt.	0	(340)	(340)
Sustainable Transport Fund	Govt.	0	(455)	(455)
Balance: Other Government Grants less than £0.150m	Govt. (x9)	(60)	(551)	(611)
Sub-Total		(60)	(4,647)	(4,707)
Corporate Services				
European Regional Development Fund	Other	(78)	(257)	(336)
Housing Support Fund	Govt.	0	(4,839)	(4,839)
Balance: Other Government Grants less than £0.150m	Govt. (x3)	0	(158)	(158)
Sub-Total		(78)	(5,254)	(5,333)
Total Ringfenced Grants include within the Net Revenue Budget		(930)	(45,419)	(46,348)
Housing Revenue Account				
PFI Credits (2 contracts)	Govt. (x2)	0	(18,799)	(18,799)
Total	58	(930)	(64,218)	(65,148)

Summary of 2022/23 Approved Budget Reductions and Deliverability

Appendix 3

Community Health and Adult Social Care

Reference	Budget Reduction	Rating	Approved Budget Reduction £000	Deliverable £000	Shortfall £000
CSA-BR1-423	Maximising independence through alternative models of care	Amber	(1,000)	(1,000)	0
CSA-BR1-424	CHASC Workforce Reduction	Green	(50)	(50)	0
CSA-BR1-429	KeyRing	Green	(20)	(20)	0
CSA-BR1-430	Achieving Better Outcomes: Supported Living & Learning Disabilities	Amber	(500)	(500)	0
ASC-BR1-548	Smarter Ways of Working	Green	(100)	(100)	0
ASC-BR1-549	Income Maximisation for Adult Social Care	Green	(1,380)	(1,380)	0
ASC-BR1-550	CHASC 'Other' - General Operational	Green	(174)	(174)	0
ASC-BR1-551	Core Management Fee Reduction - MioCare Group	Green	(115)	(115)	0
ASC-BR1-553	Increasing Community Enablement Throughput	Green	(292)	(292)	0
ASC-BR1-554	Learning Disability Consultant Psychiatrist	Green	(73)	(73)	0
ASC-BR1-555	Supported Living Voids Budget	Green	(45)	(45)	0
ASC-BR1-556	Housing Related Support (Short Term Supported Housing)	Green	(225)	(225)	0
			(3,974)	(3,974)	0

Children's Services					
Reference	Budget Reduction	Rating	Approved Budget Reduction £000	Deliverable £000	Shortfall £000
CHS-BR1-441	Special Educational Needs & Disability (SEND) Education Provision	Green	(114)	(114)	0
CHS-BR1-443	External Placements Cost Avoidance	Red	(500)	0.0	500
CHS-BR1-445	Early Help Re-modelling	Green	(200)	(200)	0
PPL-BR1-504	Visit Oldham, Training Budget and Oldham Enterprise Trust	Green	(38)	(38)	0
CHS-BR1-532	Income Generation- Educational Psychologists/ QEST	Green	(150)	(150)	0
CHS-BR1-534	Virtual School Team Manager- Pupil Premium Plus	Green	(58)	(58)	0
CHS-BR1-535	Governor Services- Reduce Expenditure	Green	(15)	(15)	0
CHS-BR1-536	Oldham Learning reduced de-delegated funding	Green	(85)	(85)	0
CHS-BR1-537	General (non-staffing) Expenditure	Green	(10)	(10)	0
CHS-BR1-538	Early Years Staffing Reduction	Green	(21)	(21)	0
REF-BR1-527	Oldham Music Service - Fees & Charges	Green	(27)	(27)	0
CHS-BR1-539	Delete post-Designated Missing from Home	Green	(16)	(16)	0
CHS-BR1-540	Reduce FTE of Children with Disabilities (CWD) Team	Green	(26)	(26)	0
CHS-BR1-541	Delete Post- Corporate Parenting Manager	Green	(54)	(54)	0
CHS-BR1-542	Delete 2 Social Workers from the Adoption Service	Green	(83)	(83)	0
CHS-BR1-545	Do not renew MOMO	Green	(10)	(10)	0
CHS-BR1-547	Savings on Targeted Youth Lot 3	Green	(25)	(25)	0
			(1,432)	(932)	500

Public Health					
Reference	Budget Reduction	Rating	Approved Budget Reduction £000	Deliverable £000	Shortfall £000
REF-BR1-521	Smoking in Pregnancy Midwife	Green	(50)	(50)	0
REF-BR1-522	Medicines Management	Green	(10)	(10)	0
REF-BR1-523	NHS Health Checks EMIS Contract	Green	(32)	(32)	0
REF-BR1-524	Sexual Health - Various	Green	(245)	(245)	0
REF-BR1-525	Public Health Staffing	Green	(112)	(112)	0
REF-BR1-526	Get Oldham Growing	Green	(62)	(62)	0
REF-BR1-528	Oldham Theatre Workshop - Fees & Charges	Green	(11)	(11)	0
			(522)	(522)	0

Communities					
Reference	Budget Reduction	Rating	Approved Budget Reduction £000	Deliverable £000	Shortfall £000
REF-BR1-519	Electric Cars	Green	(18)	(18)	0
REF-BR1-520	Reduction of FTE in Community Safety Services	Green	(45)	(45)	0
			(63)	(63)	0

Place and Economic Growth					
Reference	Budget Reduction	Rating	Approved Budget Reduction £000	Deliverable £000	Shortfall £000
PPL-BR1-401	Creating a Better Place - Projects & Assets	Amber/Red	(2,620)	(608)	2,012
PPL-BR1-403	Digital Mail	Green	(100)	(100)	0
PPL-BR1-501	Creating a Better Place - Income Generation	Amber/Red	(100)	(100)	0
PPL-BR1-502	Additional Income Generation from new Flexi Parking Permit	Green	(75)	(75)	0
PPL-BR1-506	Cemetery and Cremations	Green	(118)	(118)	0
PPL-BR1-507	Highways and Highways Unity	Green	(245)	(245)	0
PPL-BR1-508	Increase External Customer Base - Trade Waste	Green	(32)	(32)	0
PPL-BR1-509	Increase Trade Fees and Charges - Trade Waste	Green	(74)	(74)	0
PPL-BR1-510	Public Protection Restructures - Environmental Health & First Response	Green	(37)	(37)	0
PPL-BR1-511	Public Protection Restructures - Building Control	Green	(23)	(23)	0
PPL-BR1-503	Planning Income Fees	Green	(50)	(50)	0
PPL-BR1-504	Visit Oldham, Training Budget and Oldham Enterprise Trust	Green	(18)	(18)	0
PPL-BR1-505	Corporate Landlord and Facilities Management	Green	(120)	(120)	0
			(3,612)	(1,600)	2,012

Corporate Services					
Reference	Budget Reduction	Rating	Approved Budget Reduction £000	Deliverable £000	Shortfall £000
PPL-BR1-439	Internal Efficiency Initiatives (Unity Partnership)	Amber/Red	(363)	(50)	313
CEX-BR1-513	Review of Executive Support Service	Green	(45)	(45)	0
CEX-BR1-514	Chief Executive Management	Green	(186)	(186)	0
CEX-BR1-515	Elections	Green	(15)	(15)	0
CEX-BR1-516	Finance Service	Green	(180)	(180)	0
CEX-BR1-516	Finance Service	Green	(199)	(199)	0
PPL-BR1-512	Information and Communications Technology (ICT)	Amber/Red	(20)	0.0	20
REF-BR1-529	Human Resources & Organisational Development	Amber/Red	(250)	(229)	21
REF-BR1-530	Transformation & Reform - Vacant Posts Deletion	Green	(124)	(124)	0
			(1,382)	(1,028)	354

Capital, Treasury and Technical Accounting					
Reference	Budget Reduction	Rating	Approved Budget Reduction £000	Deliverable £000	Shortfall £000
CEX-BR1-518	Treasury Management	Green	(750)	(750)	0
			(750)	(750)	0