
Attachment 1

Report to Cabinet



Revenue Monitor and Capital Investment Programme 2022/23 Quarter 3 – December 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

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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 31 December 2022 (Quarter 3) together with the revised capital programme 2022/23 to 2027/28, 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 £1.280m after allowing for approved and pending transfers to and from reserves. An operational deficit of £2.055m reduces by £0.775m with the anticipated effect of management actions and strengthened restrictions in relation to expenditure and recruitment. Whilst improving, it is recognised that this remains a challenging position and every effort will be made to further 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 experience significant pressures attributed to the on-going impact of the pandemic; Community Health and Adult Social Care is reporting an adverse variance of £5.717m and Children's Social Care is recording £3.555m. 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. The residual balance of £2.728m 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 forecast pressure of £1.280m at Quarter 3 is a £0.953m decrease to the adverse position of £2.233m reported at month 8 and 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.

Information on the Quarter 3 position of the Dedicated Schools Grant (DSG), Housing Revenue Account (HRA) and Collection Fund is also outlined in the report.

Against a generally improving position, the DSG is forecasting an unchanged in-year surplus of £3.287m, which reverses the deficit brought forward leaving a forecast year-end surplus of £0.514m. Action will continue to 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. Working with partners, detailed work has now commenced on compiling the grant application for submission in late June/ early July.

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

The Collection Fund is forecasting an in-year surplus of £0.060m which in turn contributes to an estimated surplus of £4.179m 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 future financial years.

Capital Position

The report outlines the most up to date capital spending position for 2022/23 to 2027/28 for approved schemes. The most recent estimated revised capital programme budget for 2022/23 is £50.361m, a net decrease of £49.887m from the original budget of £100.248m. The most recently recorded expenditure level was £44.073m (87.51% of the forecast outturn).

It is likely that the forecast position will continue to change as the year draws to a close with additional re-profiling into future years.

Recommendations

That Cabinet considers the:

1. Forecast revenue outturn for 2022/23 at Quarter 3 being a £1.280m 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 2027/28 as at Quarter 3.

Revenue Monitor and Capital Investment Programme 2022/23 Quarter 3 – December 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 3 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 and the Annual Review.
- 1.3 Whilst this report is presented close to the year end, the effectiveness of the ongoing management action and the strengthened corporate procedures will continue to be closely monitored by Management Teams right up to the end of the financial year.
- 1.4 As previously reported 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 format.

2. Current position

- 2.1 The forecast revenue outturn for 2022/23 is an adverse variance of £1.280m compared to £2.233m at Month 8. 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 £9.272m 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 £4.783m which reduces to £2.055m with the offset of the £2.728m unallocated COVID-19 Legacy funding. The most notable areas of forecast, operational overspending remain Community Health and Adult Social Services, Children's Services and Place and Economic Growth. The operational pressure reduces by a further £0.775m 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 £1.280m. It was initially anticipated that the combined effect of these measures together with any additional funding that might be used to offset Adult Social Care pressures would reduce the year-end adverse outturn by £1.720m. At Quarter 3, services have delivered £0.925m of the required target thus leaving a balance of £0.775m which it is now assumed will be achieved by the year end to produce a forecast deficit of £1.280m.
- 2.2 The total Directorate variances amount to a pressure of £14.055m before the application of the £12.000m COVID-19 Legacy funding as detailed in Annex 1 at Tables 1 and 2. As advised above, there is an operational overspend of £4.783m. This is comprised of Community Health and Adult Social Care reporting a pressure of £3.858m (£5.717m COVID related) and Children's Services reporting an adverse variance of £12.709m (£3.555m COVID related). There is a further adverse business as usual variance of £3.484m within Place and Economic

Growth. There are favourable variances of £0.495m within Public Health, £0.365m within Communities and £1.019m in Corporate Services. Capital, Treasury and Technical Accounting is reporting a favourable, operational variance of £4.117m.

- 2.3 It should be noted that three of the approved 2022/23 Budget Reductions are classified 'Red' and are forecast not to be delivered, one within Children's Services with a value of £0.500m and two within Corporate Services totalling £0.383m. In addition, there are a further three Budget Reductions, two within Place and Economic Growth and one within Corporate Services, with a combined value of £2.970m rated 'Amber/Red - off track and will only deliver part of the saving' and which are reporting to have achieved £0.935m to Quarter 3 of the financial year. An assessment has been made of the impact on the 2023/24 budget and a £2.835m adjustment, specifically in relation to Budget Reductions has been made.
- 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 £2.728m which reduces the business as usual pressure from £4.783m to £2.055m.
- 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 £0.775m to an adverse variance of £1.280m 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 3 £000	Total Net Pressure Month 8 £000
People and Place	5,717	(5,717)	(1,859)	(1,859)	(1,118)
Community Health and Adult Social Care	3,555	(3,555)	9,154	9,154	8,567
Children's Services	-	-	(495)	(495)	(434)
Communities and Reform	-	-	(365)	(365)	(262)
Commissioning	-	-	3,484	3,484	3,036
Chief Executive	-	-	(1,019)	(1,019)	(714)
Capital, Treasury and Corporate Accounting	-	-	(4,117)	(4,117)	(3,036)
Unallocated COVID-19 Funding	-	(2,728)	-	(2,728)	(2,806)
Forecast Variance before Management Action	9,272	(12,000)	4,783	2,055	3,233
Impact of Management Actions/ Spending Restrictions	-	-	-	(775)	(1,000)
Total	9,272	(12,000)	4,783	1,280	2,233

- 2.6 During 2022/23 a high degree of estimation has been required 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 have been constantly updated in the light of national and indeed international influences.
- 2.7 As this financial monitoring report reflects the financial position at Quarter 3, it can be regarded as a strong indication of the year end position. Every effort will be made to further

reduce the forecast variance by the year end to mitigate any potential impact on the 2023/24 budget, together with the projected budget gap for the following year.

- 2.8 The original approved capital programme for 2022/23 totalled £100.248m. The revised capital programme as at Quarter 3 but having regard to more recent information, taking account of approved carry forwards, approved new funding, new schemes and variations and proposed variations/ re-phasing gives projected revised expenditure of £50.361m. The most recently recorded expenditure level was £44.073m (87.51% of the forecast outturn). Further details of expenditure and schemes within the capital programme can be found in Annex 2.

3 Options/Alternatives

- 3.1 The options that Cabinet might consider in relation to the contents of this report are;
- a) to consider the forecast revenue and capital positions presented in the report including proposed changes
 - b) to propose alternative forecasts

4 Preferred Option

- 4.1 The preferred option is that the Committee considers the 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 An equality impact assessment has been included at Annex 3.

18 Key Decision

18.1 Yes

19 Key Decision Reference

19.1 FLC-17-22

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: 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: lee.walsh@oldham.gov.uk

21 Appendices

Annex 1 Revenue Budget Monitoring Report 2022/23 Quarter 3 - December 2022

Appendix 1 Financing of the 2022/23 Revenue Budget at Quarter 3

Appendix 2 Analysis of Grants

Appendix 3 Summary of 2022/23 Budget Reductions and Deliverability

Annex 2	Capital Investment Programme Report 2022/23 Quarter 3 - December 2022
Appendix A	SUMMARY – Quarter 3 - Community Health & Adult Social Care
Appendix B	SUMMARY – Quarter 3 - Children’s Services
Appendix C	SUMMARY – Quarter 3 - Communities
Appendix D	SUMMARY – Quarter 3 - Place and Economic Growth
Appendix E	SUMMARY – Quarter 3 - Housing Revenue Account (HRA)
Appendix F	SUMMARY – Quarter 3 – Corporate/ Information Technology
Appendix G	SUMMARY – Quarter 3 - Capital, Treasury and Technical Accounting
Appendix H	SUMMARY – Quarter 3 - Funds for Emerging Priorities
Appendix I	SUMMARY – Quarter 3 - Proposed Variations
Annex 3	Equality Impact Assessment