

REVENUE BUDGET MONITORING REPORT 2024/25**Month 4 - July 2024****1 Background**

- 1.1 The Authority's 2024/25 revenue budget was approved by Council on 28 February 2024 at a sum of £299.818m to be met by government grants, Council Tax, Business Rates, and the use of General Earmarked Reserves. This report sets out the updated revenue financial position at Month 4.
- 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 reported based on a comparison of profiled budgets as at the end of Month 4 which in turn forecasts a potential year end position. The services forecasts include all known commitments, issues, and planned management actions.

2 Outlook and Budget Context

- 2.1 The budget for 2024/25 was set against a backdrop of challenging economic and fiscal conditions, with inflationary pressures, high interest rates and low levels of economic growth impacting on local and national finances. The lingering impact of the Covid 19 pandemic and the ensuing cost of living crisis has meant that locally demand for services and the cost of providing those services has been increasing over the last couple of years which has placed further strain on the Council's budgetary position. In addressing these pressures, the Council sought to deliver savings of £19m and apply £10.8m of usable reserves to help balance the need to provide services and to set a balanced budget. In setting the budget it was acknowledged that significant financial pressures remained on the Council over the medium term due to the longer-term impacts of high inflation and demand.
- 2.2 At the August Monetary Policy Committee (MPC) meeting, the Bank of England voted to cut the Base rate by 0.25% to 5%, making this the first reduction in Base Rate for four years. Whilst this brings a slight relief to households and business within the borough, that have been struggling with higher mortgage costs and debt repayments, future interest rate cuts in the short term remain uncertain. Moreover, the impact of high inflation on the cost of utilities, fuel and food is such that these costs remain significantly higher than they were a couple of years ago which presents an ongoing challenge in boroughs like Oldham where high levels of deprivation are widespread. The pressures are unlikely to reduce, and the impact is such that these will continue to impact on budget setting for 2025/26 and beyond.
- 2.3 Following the recent change in Government it is hoped that the budget in October 2024 will provide the Local Government sector with some positive indications for short term funding, however, with the settlement is expected to be for one year only, which means uncertainty over the funding landscape still persists. A multi year spending review
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announced for Spring 2025 is welcomed and should more certainty for future budget planning.

3 Current Position

- 3.1 The current net revenue budget of £302.677m represents an increase of £1.909m against the revised budget of £300.768m reported at Month 3. This is due to the notifications of two additional Government grants received during this reporting period.
- 3.2 Following the Month 3 report, the details within this revenue monitoring report outline the general direction of travel for the financial year and highlight any significant areas of concern which may not just impact on the current year, but also when preparing future budgets. An overspend position based on the Month 4 profiled budget is £7.022m which if not addressed is projected to lead to a year-end deficit of £21.065m. This is an improved position of £4.968m from that reported at Month 3 which was a forecast adverse variance for the year of £26.033m.
- 3.3 The forecast position at Month 4 is detailed in the table below. The projected outturn position is clearly improved from Month 3 which demonstrates that Management actions are helping reduce the deficit. Whilst the quantum of the gap is reducing and Officers continue to seek out and implement further actions to reduce this gap, there remains a significant projected budget overspend which will impact on the size of the budget gap in the Medium-Term Financial Strategy for 2025/26 and the level of Earmarked Reserves.

Table 1 – Summary of Month 4 Profiled Budget Position

Directorate	Profiled Budget at Month 4 £000	Profiled Forecast at Month 4 £000	Profiled Variance at Month 4 £000	Outturn based on Month 4 Variance* £000
Adult Social Care	25,367	27,235	1,868	5,605
Children's Services	24,368	28,768	4,400	13,200
Public Health	7,855	7,751	(103)	(310)
Place and Economic Growth	22,407	25,127	2,720	8,160
Corporate Services	10,899	9,927	(972)	(2,915)
NET DIRECTORATE EXPENDITURE	90,896	98,809	7,913	23,740
Capital, Treasury and Technical Accounting	9,997	9,105	(892)	(2,675)
NET COUNCIL EXPENDITURE	100,893	107,914	7,022	21,065

Notes: * Forecast Outturn figures assume reserves movements shown in Table 3.

- 3.4 The forecast outturn based on the Month 4 position is an adverse variance of £21.065m based on the profiled budget forecast as at Month 4.

Significant revenue variances by Directorate

- 3.5 There are significant variances contained within the projected net overspend position.
- 3.6 As reported at Quarter 1, there are currently three areas which are forecasting significant pressures;
- Adult Social Care is reporting a pressure of £1.868m at Month 4 with an estimated adverse year end position of £5.605m (£5.616m at Month 3).
 - Children's Services is reporting a pressure of £4.400m and is forecast to be overspent by £13.200m at the year-end (£14.187m at Month 3), this continues to be the most significant contributing factor to the Council's adverse variance.
 - Within Place and Economic Growth, Strategic Housing and in particular Temporary Accommodation is reporting a pressure of £1.767m for Month 4 and an outturn forecast of £5.301m (£5.059m at Month 3).

Adult Social Care adverse variance at Month 4 of £1.868m, estimated Year End adverse position of £5.605m (£5.616m at Month 3)

- 3.7 The Community Health and Adult Social Care service continues to report significant pressures forecast to be £4.648m (£4.785m at year end). This is mainly people with physical disabilities accessing care at home and direct payments and is a £0.137m reduction from the previous position reported.
- 3.8 The Mental Health service is reporting an adverse position of £1.048m (£0.906m at Month 3). This is a £0.142m adverse movement in the forecast position between the two reporting periods and is due to an increase in homecare packages alongside a reduction in anticipated income. These areas are being offset by a reduction in the number of nursing packages, cost reductions and staff vacancies.
- 3.9 The Learning Disability service is reporting an overspend position of £0.269m (£0.273m at Month 3) due to the cost of care packages particularly within care at home, supported living and short stay care. This is a slight reduction of £0.004m from the position previously reported.
- 3.10 These overspends are offset by favourable variances across the remainder of the Directorate of £0.276m, largely as a result of vacant posts.

Children's Services adverse variance at Month 4 of £4.400m, estimated Year End adverse position of £13.200m (£14.187m at Month 3)

- 3.11 As highlighted at Month 3, Children's Services demand and cost pressures have continued from previous financial years into this year. Increases in the number of Children Looked After have resulted in increased pressures for differing placements particularly residential, where costs for this provision are significant. Alongside Children Looked After placement costs, the continued reliance on agency staff and an increase in demand for Special Educational Needs and Disabilities (SEND) provision is having an impact on the services' financial position.
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3.12 The pressures relating to Children Looked After, children in residential placements and Children's Social Care, has had an adverse impact on the forecast of £12.261m (£13.145m at Month 3). This improved position from that previously reported is due to a reduction in forecasts for staffing costs including agency and additional income.

3.13 The Education Skills and Early Years service is projected a year end adverse variance of £0.956m (£1.068m at Month 3). The largest contributing pressure within this service remains Home to School Transport at £0.910m (previously £1.022m) due to the continued increase in Education Health Care Plans (EHCP's) issued and the ongoing increase in SEND demand. The reduction in the projected position between reporting periods is mainly as a result of aligning expenditure to funding sources.

Public Health favourable variance of £0.103m as at Month 4, estimated favourable variance at year end of £0.310m (£0.187m at Month 3)

3.14 Public Health is showing a favourable movement in year-end position of £0.123m from that which was reported at Quarter 1. This change in position is due to staff vacancies and is as a direct result of the management actions implemented to the service to address the previously reported position.

Place and Economic Growth adverse variance at Month 4 of £2.720m, estimated Year End position at an adverse variance of £8.160m (£8.850m at Month 3)

Communities

3.15 The Communities service area is projecting an adverse position of £5.302m (£4.609m at Month 3) of which Strategic Housing and in particular Temporary Accommodation are the main driver for this overspend. The forecasted year end pressure reported for this area of spend has increased by £0.242m to £5.301m at Month 4. This increase is due to demand which continues to rise.

3.16 As part of the Housing Recovery programme the Council is reviewing its income maximisation opportunities. As part of those opportunities, the Council will implement a policy whereby residents will be asked to contribute towards the cost of their temporary accommodation following an affordability assessment. More cost-effective delivery models of temporary accommodation are also being looked at which will also better meet our resident's needs.

Economy

3.17 Within Economy the Estates service area is the main reason for the reported adverse position. This is due to unachieved budget reductions, pressures within repairs and maintenance contracts and the impact of delays in the disposal of assets. Projections at Month 4 indicate that there will be an adverse variance by the end of the financial year of £2.474m (£2.450m at Month 3). Mitigations to reduce the projected overspend are being developed and it is expected that these mitigations will reduce the adverse position currently being projected in the coming months.

Environment

- 3.18 The Environment service is forecast to be in an adverse position of £1.278m (£1.804m at Month 3) by year end. The reasons, for this adverse variance continues to be due to agency costs, underachievement of income and other related costs. The reduction in the projected position between reporting periods is due staff vacancies across the whole service.

Corporate Services – favourable variance at Month 4 of £0.972m and estimated favourable position at year end of £2.915m (£2.433m at Month 3)

- 3.19 Corporate Services is projecting a favourable variance at Month 4 which has increased by £0.482m from that reported previously due to the implementation of corporate management actions around staff vacancies.

Capital, Treasury and Technical Accounting – favourable variance at Month 4 of £0.892m and estimated favourable position at year end of £2.675m (on budget at Month 3)

- 3.20 Following a review of the Capital, Treasury and Technical Accounting, and the assumptions for the remainder of the financial year, it is anticipated that there will be a favourable variance totalling £2.675m by year end. The main reasons, for favourable variance is a £0.500m reduction on the interest costs the Council is expected to pay and following an assessment on inflationary costs a reduction of £2.175m which includes pay and external contracts.
- 3.21 A detailed revenue table is attached at Appendix 1.

4 Mitigation of Current forecast Budget Position

- 4.1 The Local Government Act 1988 specifies that a Local Authority must set and maintain a balanced budget. Failure to do so results in the Council's Section 151 officer having to issue a Section 114 notice to indicate that a Council's forecast income is insufficient to meet its forecast expenditure for that year.
- 4.2 As detailed in the Month 3 report, in response to the phased overspend and projected outturn position, a series of management actions were implemented to identify options for reducing the projected overspend. The Council's Senior Leadership has been working within their service areas to reduce the in-year pressure through the introduction of a recruitment freeze, and through additional controls on discretionary expenditure. Alongside this, services have been reviewing their ways of working, structures and costs to reduce spend based on a thematic approach:
- Centralising, restructuring and reducing corporate and support services;
 - Reviewing and reducing management and administration;
 - Reviewing service operations and processes;
 - Income maximisation; and
 - Reviewing placements, contracts and commissioned services.
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The changes identified to date will drive both in year savings and contribute to reducing the budget gap in future years.

- 4.3 The effectiveness of management action and corporate procedures will continue to be closely monitored by Management Teams throughout the financial year. Management action should ease the overall financial pressures and the impact of these actions will be reported to Members through the regular financial monitoring reports submitted to Cabinet during the year.

5 Progress on the delivery of the 2024/25 Approved Budget Savings

- 5.1 Table 2 below presents the progress on the delivery of the 2024/25 approved Budget savings which has been updated to reflect the position at Month 4. For savings rated as Amber, work is ongoing to achieve the saving or alternative delivery and in year mitigations are being identified to cover any potential shortfalls which may occur. The Red savings are included in the adverse forecast revenue Month 4 outturn position for 2024/25. If these Red rated budget savings are mitigated downwards, it would have a favourable impact on the forecast position for 2024/25. In addition, savings rated as Red are also impacting the work on the Budget setting process for 2025/26 and work is ongoing to try to mitigate the impact in the current and future years.

- 5.2 In terms of savings, £16.542m of the £20.379m (£16.587m in Quarter 1) approved budget reduction targets are either delivered or on track to be delivered (Green & Amber), representing 81% of the total savings target with a further 19% or £3.837m with a high risk of not being achieved within this financial year. The table below summarises the progress by Directorate:

Table 2 – Summary on progress on delivery of 2024/25 Approved Budget Reductions

2024/25 Impact of Approved Budget Reductions	Green £000	Amber £000	Red £000	Total £000
Adult Social Care	(3,950)	(3,500)	0	(7,450)
Children's Services	(1,095)	(907)	(2,219)	(4,221)
Public Health	(175)	0	0	(175)
Place & Economic Growth	(3,054)	(200)	(1,618)	(4,872)
Corporate	(3,397)	(264)	0	(3,661)
TOTAL	(11,671)	(4,871)	(3,837)	(20,379)

Significant Budget reduction variances by Directorate

- 5.3 As can be seen in the table above, £2.219m of Children's Services budget reductions are rated Red which is an increase of £0.145m from the figure reported at Month 3. This change relates to a budget reduction for social care placements including fostering and is due to demand in this area alongside an increase in price affecting its achievability.
- 5.4 At Month 4, the Place & Economic Growth Directorate budget reductions rated Red are reported at £1.618m which is 33% of its total with 67% either achieved or on target to achieve.

- 5.5 Mitigations for the Red budget reductions continue to be explored with updates to be provided within future reports.
- 5.6 There has been a £0.700m increase in those budget reductions now rated as Green between reporting periods and it is expected that as the year unfolds, those budget reductions currently rated as Amber will continue to move to Green. Delivery Board will continue its work on the unachieved budget reductions to mitigate the impact on 2024/25 and future years.

6 Reserves and Balances

- 6.1 On 1 April 2024, Reserves totalled £72.540m, split between Earmarked Reserves of £49.646m and other reserves such as Revenue Grant Reserve, Schools Reserve and DSG Surplus reserves totalling £22.894m. The General Fund Balance stood at £18.865m. Of the total Earmarked Reserves, approximately 29% are forecast to be spent in 2024/25.

Table 3 – Summary on Reserves Position

Directorate	Opening Balance £000	Use of Reserves £000	Contribution to Reserves £000	Anticipated Year End Position £000
Adult Social Care	(3,766)	2,366	-	(1,400)
Children's Services	(814)	-	-	(814)
Public Health	(1,114)	242	(385)	(1,257)
Place & Economic Growth	(3,057)	952	(50)	(2,155)
Corporate	(4,530)	437	-	(4,094)
Capital, Treasury and Technical Accounting	(19,712)	597	(2,115)	(21,230)
Balancing Budget 2024/25	(10,753)	10,753	-	-
Health & Social Care Integration Pooled Fund	(5,900)	1,491	-	(4,409)
Total Earmarked Reserves	(49,646)	16,838	(2,550)	(35,359)
Revenue Grant Reserves	(7,799)	1,610	(138)	(6,327)
Total Reserves	(57,446)	18,448	(2,688)	(41,686)

- 6.2 Since Quarter 1, there has been a slight movement in the use of reserves bringing the current forecast to £35.359m of Earmarked Reserves and £6.327m of Revenue Grant Reserves by the end of the financial year 2024/25.
- 6.3 There are significant management actions being implemented to address the projected in year deficit which should help reduce the overall gap by the year end, however to the extent that mitigations do not cover the deficit, there would need to be a further call on reserves. Any additional call on reserves to offset any unmitigated forecast deficit in year will adversely impact the financial resilience of the Council.
- 6.4 One of the management actions being undertaken since the last reporting period has been a full review of reserves looking at the council's policy and financial strategy, including the proposed use. This review is currently ongoing and will be reported back to Members once complete. The aim is to review all reserves and their use and consider the current and future impact on the financial resilience of the council.

7 2025/26 Revenue Budget

- 7.1 At the budget council meeting held in February 2024, a budget gap for 2025/26 of £11.305m was detailed. This gap was after the application of £11.178m of approved budget reductions and £1.432m of Earmarked Reserves. To address this gap, and considering the in-year financial position, early work began on a re-assessment of the 2025/26 revenue budget and how the gap could be bridged. Based on the presumption that much of the in-year pressure stems from continued demand for key Council services including adults and children social care and temporary accommodation, it is currently forecast that the unmitigated gap for 2025/26 could be between £26-30m. As detailed at 4.2, thematic work has been undertaken by Officers to identify both in year and ongoing options to reduce service spend and thus the potential budget gap in 2025/26.
- 7.2 At the time of writing this report, actions totalling £6.138m have been identified and potentially a further £1.543m is being investigated, which would reduce the forecast budget gap for 2025/26 to be between £20-24m. The table below shows the values by thematic area.

Table 4 – Summary on potentially identified thematic savings.

Thematic Area	Potential Savings Identified 2025/26 £000
Centralising, restructuring, and reducing corporate and support services	2,405
Reviewing and reducing management and administration	1,673
Reviewing service operations and processes	706
Reviewing placements, contracts and commissioned services	1,354
TOTAL POTENTIAL SAVING IDENTIFIED 2025/26	6,138

- 7.3 Alongside this the Council is currently consulting with employees around voluntary options for redundancy, retirement and changes to working hours. Other options continue to be looked at to ensure the Council can deliver a balanced budget.
- 7.4 Further details on the Council's funding are expected over the coming months with a Labour Budget scheduled for 30 October, and the Provisional Local Government Finance Settlement (PLGFS) expected at the end of the calendar year. The Spending Review scheduled for Spring 2025 is expected to provide more financial certainty over the medium term. The current iteration of the Medium-Term Financial Strategy is predicated on a
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broadly unchanged funding landscape from 2024/25 however to the extent that changes are announced as part of either the October budget or PLGFS, these will be incorporated into further updates of the Council's Medium Term Financial Strategy.

8 Summary

- 8.1 The current projected position at Month 4 has improved since the last reporting period by £4.968m however, it still shows a potentially significant overspend position by the end of the financial year. The re-assessment on assumptions with the Capital, Treasury and Technical Accounting and the work within Children's Services has seen a reduction in the overall adverse position. The implementation of management actions particularly around staffing and essential spend can be seen and will continue to be monitored and implemented throughout the year. Whilst this improved position is a positive sign, the projected position is still of great concern for the Council and work must continue to reduce this further by the end of the financial year. Due to the significant overspend in 2023/24, the Council's ability to mitigate the in-year position through short term use of reserves is depleted.
- 8.2 Whilst 81% of savings are on track to be delivered or are delivered, given the overall financial pressures facing the Council, the uncertainty around the deliverability of the remaining 19% of savings is still of concern as this adds to the pressure on the budget. However, plans and mitigations are being developed and there is time for the reductions to be delivered and/ or mitigations to be put in place, and these will be closely monitored through the monthly Delivery Board meetings to ensure these targets are met.
- 8.3 Any use of reserves impacts on the financial resilience of the Council, and detailed within this report is the proposed net use of £14.288m of Earmarked Reserves and £1.472m of Revenue Grant Reserves. It is crucial that the use of reserves is kept to an absolute minimum. A review of the current proposed use of the reserves for 2024/25 is currently ongoing and will be reported back to Member at the earliest opportunity. The aim of the review is to look at the proposed use of reserves to protect the overall financial resilience of the Council.
- 8.4 In view of the adverse variance reported it is important that mitigations are continued to be found and implemented to address the in-year position but also to reduce the impacts in 2025/26. A further update on the financial position will be reported at Month 6.
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APPENDIX 1 - Directorate Summary Financial Positions

DIRECTORATE	SERVICE AREA	2024 Mth 4 Profiled Budget £000	Month 4 Profiled Forecast £000	M4 Profiled Variance £000	Annual Forecast Variance £000
Adult Social Care	Commissioning	5,335	5,337	2	7
	Community Business Services	387	310	(77)	(232)
	Clusters	1,031	999	(32)	(97)
	Community Health & Social Care	9,243	10,792	1,549	4,648
	Director Adult Social Care	549	538	(10)	(31)
	Learning Disability	5,160	5,250	90	269
	Mental Health	3,324	3,674	349	1,048
	Safeguarding	338	336	(2)	(6)
Adult Social Care Total		25,367	27,235	1,868	5,605
Children's Services	Children in Care	13,767	17,796	4,029	12,087
	Childrens Safeguarding	967	919	(49)	(146)
	Fieldwork & Family Support	3,872	4,096	224	673
	Children's Services Intergration	1,141	1,024	(118)	(353)
	Central Education Services	262	262	0	0
	Community / Adult Learning	99	99	(0)	(0)
	Inclusion Service	(37)	(37)	0	0
	Learning Services	98	113	15	46
	Learning Services - Early Years	380	380	0	0
	Post 16 Service	13	13	0	0
	School Support Services	6	6	0	0
	SEND Services	2,450	2,753	303	910
	Skills and Employment	216	216	(0)	(0)
	Early Help	1,151	1,145	(6)	(17)
	Schools	(17)	(17)	0	0
	Children's Services Total		24,368	28,768	4,400
Public Health	Public Health (Client and Delivery)	6,623	6,541	(82)	(245)
	Leisure Services	1,231	1,210	(22)	(65)
Public Health Total		7,855	7,751	(103)	(310)
Place & Economic Growth	Business Growth	69	68	(1)	(4)
	Creating a Better Place	(75)	(75)	0	0
	Estates	(133)	691	825	2,474
	Facilities Management	(212)	(347)	(135)	(406)
	Planning	96	88	(7)	(22)
	Property Management	(730)	(745)	(16)	(47)
	Strategic Housing	92	63	(29)	(86)
	Town Centre and Markets	416	399	(16)	(49)
	Building Control	11	61	50	150
	Environmental Management	2,469	2,597	128	384
	Fleet Management	(108)	(108)	0	0
	Highways	1,354	1,406	52	157
	Public Protection	367	517	149	447
	Strategic Transport	5,757	5,757	0	0
	Street Lighting	1,426	1,411	(15)	(45)
	Waste Disposal Authority	5,963	5,963	0	0
	Waste Management Service	1,483	1,544	62	185
	Heritage, Libraries and Arts	2,035	2,040	5	14
	Community Safety	160	143	(18)	(53)
	District Partnerships	517	433	(85)	(254)
	Strategic Housing	1,135	2,902	1,767	5,301
	Stronger Communities	65	65	(0)	(0)
	Youth Services Client	250	255	5	14
Place & Economic Growth Total		22,407	25,127	2,720	8,160

DIRECTORATE	SERVICE AREA	2024 Mth 4 Profiled Budget £000	Month 4 Profiled Forecast £000	M4 Profiled Variance £000	Annual Forecast Variance £000
Corporate Services	Partnership Support (Borough and GM)	681	655	(27)	(81)
	Strategic Customer Service	183	183	0	0
	Chief Executive Management	650	555	(95)	(286)
	Communications and Research	312	292	(20)	(60)
	Customer Services	694	563	(131)	(392)
	ICT	1,679	1,575	(105)	(314)
	Executive Support	181	171	(10)	(30)
	Audit	1,209	1,119	(90)	(270)
	Commissioning and Procurement	189	133	(56)	(167)
	External Funding	19	19	0	0
	Finance	885	751	(134)	(403)
	Housing Benefit Payments	131	131	0	0
	Revenues and Benefits	1,289	1,381	92	276
	Transformation and Reform	105	(99)	(204)	(611)
	HR Strategy	1,008	919	(89)	(267)
	Organisational Development	93	44	(50)	(149)
	Democratic and Civic Services	567	555	(12)	(37)
	Elections	142	137	(5)	(15)
	Legal	567	596	29	87
	Registrars	7	(37)	(44)	(131)
Strategy and Performance	308	286	(22)	(66)	
Corporate Services Total		10,899	9,927	(972)	(2,915)
Capital Treasury and Technical Accounting	Corporate Expenses	7,274	6,549	(725)	(2,175)
	Interest and Investment Expenditure and Income	2,268	2,102	(167)	(500)
	Corporate and Democratic Core	334	334	0	0
	Parish Precepts	120	120	0	0
Capital Treasury and Technical Accounting Total		9,997	9,105	(892)	(2,675)
Grand Total		100,893	107,914	7,022	21,065