

REVENUE BUDGET MONITORING REPORT 2018/19

Quarter 2 - September 2018

1 Background

1.1 The Authority's 2018/19 revenue budget was approved by Council on 28 February 2018 at a sum of £216.921m after £6.686m of budget reductions and a £7.264m use of reserves. Under established budget procedures all services are required to monitor and review their approved budgets during the financial year.

1.2 As part of the budget monitoring 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.

2 Current Position

2.1 The current budget of £219.702m represents a £2.781m increase in funding from the originally agreed budget and a £1.774m increase in funding since that reported at Quarter 1. The movement between quarters is due to additional Government grants which have been received, some of which are ring-fenced, the most significant of which being £1.512m of Opportunity Area Grant which is intended to improve social mobility for children and young people in deprived areas. The table below details the changes in funding since Quarter 1.

Table 1 – Changes to Funding Quarter 1 to Quarter 2

	£000
Additional Government Grant	
Opportunity Area Grant	1,512
Adult Personal Social Services Grant	208
Capital Grants	35
KS2 Moderation & KS1 Phonics Grant	13
Extended Rights to Free Travel	6
Total	1,774

2.2 Members will recall that the Councils entitlement to Section 31 grants in lieu of Business Rates has been over assessed by £0.928m for 2018/19. In order to maintain the 2018/19 budget at the agreed level without the need for offsetting savings, the approved approach is the use of a corresponding amount of General Fund reserves to address the shortfall.

2.3 The Quarter 1 report gave an update as to how the reporting and governance structure of the Council has been revised for 2018/19 with the re-allocation of services previously contained within the Health and Wellbeing Portfolio and the creation of the Reform and Health and Adult Social Care Community Services Portfolios. In a further refinement to this new structure Marketing and Communications has been moved out of the Chief Executive portfolio into Reform.

The budget and forecast outturn is presented at Table 2 in this new format and is therefore not directly comparable with previous years.

Table 2 - Summary Forecast Revenue Outturn

Portfolio	Budget £000	Forecast £000	In Year Use of Ear Marked Reserves £000	Variance Quarter 2 £000	Variance Quarter 1 £000
Chief Executive	2,386	2,424	(65)	(27)	1
Corporate and Commercial Services	5,020	6,614	(1,842)	(248)	(149)
People and Place	137,732	145,158	(2,328)	5,098	4,889
Health and Adult Social Care Community Services	58,389	59,144	(754)	1	(1)
Reform	30,537	31,040	(416)	87	(49)
Capital, Treasury and Corporate Accounting	(14,362)	(19,372)	-	(5,010)	(4,791)
NET EXPENDITURE	219,702	225,008	(5,405)	(99)	(100)
FINANCED BY:	(219,702)	(218,774)	(928)	-	-
NET FORECAST VARIANCE	-	6,234	(6,333)	(99)	(100)

- 2.4 The forecast outturn to the end of the year, after the in-year use of ear marked reserves totalling £6.333m, is an under spend of £0.099m, a small adverse movement of £0.001m since Quarter 1. A detailed list of the approved and planned use of reserves at Quarter 2 can be found at Appendix 1. The funding of the total net revenue expenditure is shown at Appendix 2. Whilst corporately, there is a small projected underspend at the end of the financial year there are signification variances contained within the forecast net position.
- 2.5 The People and Place Portfolio has a reported pressure of £5.098m, largely attributable to Children's Social Care (£4.091m), in the main due to the continued rise in the numbers of looked after children and out of borough placements; this being a continuation of the pressures consistently reported throughout 2017/18 and despite significant investment for 2018/19.
- 2.6 Also within People and Place there is an estimated overspend of £1.142m within Economic Development, mainly due to pressures within the Catering and Cleaning Service and a further £0.175m within Education and Early Years, linked to the provision of Home to School Transport. Once again this is a continuation of the position reported in 2017/18.
- 2.7 The Reform Portfolio has a reported an adverse variance of £0.087m due to pressures within Leisure and Youth and to a lesser extent Marketing and Communications services which is being partially offset by underspends within other areas of the Portfolio.
- 2.8 Overspending is being offset by favourable variances in Corporate and Commercial Services (£0.248m), Chief Executive (£0.027m) and most significantly Capital Treasury and Corporate Accounting (£5.010m). Lower than anticipated costs for borrowing and capital financing, increased treasury management income and a

number of un-ring-fenced grants which have not been allocated to services underpin this underspend. A more detailed analysis of financial performance and the major variances can be found by Portfolio in the following sections.

2.9 All the 2018/19 budget options in the sum of £6.686m plus a further £0.176m brought forward are forecast to be fully achieved, or mitigated elsewhere and are currently rated green or amber within the Budget Reduction Monitoring process.

2.10 Portfolio Summaries

Chief Executive

2.10.1 The table below shows the forecast position after the approved and planned use of ear marked reserves.

Table 3 - Chief Executive - Forecast Outturn

	Revised Budget £000	Forecast £000	Use of Ear Marked Reserves £000	Variance £000
Chief Executive	2,386	2,424	(65)	(27)
Total Forecast Net Expenditure	2,386	2,424	(65)	(27)

Summary

2.10.2 The forecast outturn at Quarter 2, now excluding Marketing and Communications is showing an under spend of £0.027m, a favourable movement of £0.028m compared to that which was reported at Quarter 1.

2.10.3 The 2018/19 budget reductions for the Chief Executives portfolio of £0.290m are forecast to be fully achieved.

Corporate and Commercial Services

2.10.4 The table below shows the forecast position after the approved and planned use of ear marked reserves.

Table 4 – Corporate and Commercial Services - Forecast Outturn

	Revised Budget £000	Forecast £000	Use of Ear Marked Reserves £000	Variance £000
People	256	431	(173)	2
Finance	4,345	4,713	(467)	(99)
Legal Services	519	461	(55)	(113)
Commercial and Transformation Services	(100)	1,009	(1,147)	(38)
Total Forecast Net Expenditure	5,020	6,614	(1,842)	(248)

Summary

- 2.10.5 The forecast outturn at Quarter 2 is showing an under spend of £0.248m, an increase in the favourable variance of £0.099m compared to the position reported at Quarter 1.

People

- 2.10.6 The Directorate has a small projected over spend of £0.002m.

Finance

- 2.10.7 The Directorate has a projected under spend of £0.099m which relates to vacant posts within the Audit and Finance services.

Legal Services

- 2.10.8 The Directorate has a projected under spend of £0.113m. This is due to underspends on vacant posts in the areas of Civic and Political Support and Constitutional Services.

Commercial and Transformational Services

- 2.10.9 The Directorate is showing an under spend of £0.038m at quarter 2. There are some cost pressures mostly being offset by vacant posts within the ICT Client Team.
- 2.10.10 The Budget Reductions for the Corporate and Commercial Services Portfolio in 2018/19 are £5.270m and they are forecast to be achieved. The budget reduction proposal 'review of joint ventures' in the sum of £1.400m remains forecast to be delivered. Work continues during the 2018/19 financial year to confirm the realisation of savings opportunities following the acquisition of The Unity Partnership Limited.

People and Place

- 2.10.11 The following table shows the forecast position after the approved and planned use of ear marked reserves for the People and Place Directorate.

Table 5 – People and Place - Forecast Outturn

	Revised Budget £000	Forecast £000	Use of Reserves £000	Variance £000
Children's Social Care	34,254	39,057	(712)	4,091
Community Services	4,946	4,962	(15)	1
Economic Development	10,026	11,765	(597)	1,142
Education and Early Years	20,469	20,894	(250)	175
Enterprise and Skills	2,744	3,027	(283)	(0)
Environmental Services	65,294	65,452	(471)	(313)
Total Forecast Net Expenditure	137,732	145,158	(2,328)	5,098

Summary

2.10.12 The forecast outturn at Quarter 2 is an adverse variance of £5.098m, compared to £4.889m at Quarter 1, an increase of £0.209m. The main areas of focus are explained in the following paragraphs.

Children's Social Care

2.10.13 The Directorate has a projected overspend of £4.091m after the application of £0.712m of ear-marked reserves, in addition to which there is a further utilisation of revenue grant reserves of £0.545m; a total of £1.257m from both sources is therefore applied to Children's Social Care. This includes £0.924m of reserve funded expenditure in relation to the Short Term Investment programme that was approved earlier in the year with the aim of effectively reviewing and managing care plans.

The principal factors are detailed below;

- Children in Care is reporting an adverse variance of £3.289m which is largely due to the continued rise in the numbers of Looked After Children (£0.955m) and Out of Borough Placements (£2.026m). There are also reported overspends relating to the increase in the number of children with disabilities requesting personal budgets (£0.363m) and the number of care leavers living in supported accommodation (£0.253m).
 - Fieldwork & Family Support is reporting an adverse variance of £0.663m in part due to assistance given to No Recourse to Public Funds families and financial assistance payments to families (£0.073m). There is also an adverse variance on legal costs (£0.137m). In addition there is a staffing pressure of £0.416m and a number of agency social workers is a cause for concern. If there is no reduction in the number of agency workers, the forecast over spend could increase further.
 - Children's Safeguarding is reporting an adverse variance of £0.139m. The over spend is primarily arising as a result of travel and subsistence payments to staff.
- 2.10.14 Cabinet Members have recently been briefed on the current detailed financial and operational position within Children's Social Care. This includes a phased approach to designing and implementing a revised operating model to meet the challenges facing the service.

Economic Development

2.10.15 The Directorate has a projected over spend of £1.142m, the principal factors are detailed below.

- There is a reported pressure of £0.115m for the Property Workplan based on historic levels of activity, however, this will be kept under review as the relationship with the strategic partner develops over the year. Additional cost pressures in the Investment estate bring the overall adverse variance to £0.243m.

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- An overall balanced position is being projected for Regeneration. However, there are pressures in relation to an underachievement of staff capitalisation costs, and recoupment of professional fees (£0.293m). Costs can only be capitalised if officers are carrying project management duties on a capital scheme past investment decision. There are currently no regeneration schemes expected to progress through to this stage over the financial year. This is offset by vacancies and additional income from strategic acquisitions within the town centre and rent rebates which are one off for this financial year.
 - The Catering and Cleaning services have forecast an adverse variance of £0.732m, an increase of £0.382m from the Quarter 1 position. The overspend is due to staffing, mainly as a result of the implementation of the Oldham Living Wage which has increased by more than the corresponding increases in charges. The Catering service is looking to make efficiencies by improving processes with potentially the implementation of IT equipment to order and record the number of meals. There are also a range of management actions under consideration to bring the budget in line. As these measures are approved and implemented, they will be incorporated into the forecasts.
 - The planning and infrastructure division which contains planning and building control is forecasting an adverse variance of £0.167m due to a reduction in the overall levels of income.

Education and Early Years

2.10.16 The Directorate has a projected over spend of £0.175m due to continuing demand pressures within the Home to School transportation service. The current routes will be re-procured during the 2018/19 academic year and the position will be kept under review in order to minimise any adverse variance. Additionally there will be a review of the Home to School transport policy.

Environmental Services

2.10.17 The Directorate has a projected underspend of £0.313m. Underspends are forecast on waste disposal due to the favourable diversion of residual waste to landfill (£0.128m) and also within the Environmental Management service (£0.054m). Public Protection has seen an increase in recharges for the recovery of pollution control which has helped to forecast an under spend of £0.090m. Pressures within highways operations account for the balance (£0.041m).

2.10.18 The 2018/19 budget reductions for the People and Place portfolio of £0.296m are forecast to be fully achieved

Health and Adult Social Care Community Services

2.10.19 The newly formed portfolio 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.

2.10.20 The table below shows the forecast Directorate position with a planned use of earmarked reserves totalling £754k.

Table 6 – Health and Adult Social Care Community Services- Forecast Outturn

	Revised Budget £000	Forecast £000	Use of Ear Marked Reserves £000	Variance £000
Adult Social Care Support	90	90	-	-
Client Support Services	2,071	2,027	-	(44)
Commissioning	20,955	20,989	-	34
Director Adult Social Care	(8,852)	(8,097)	(754)	1
Learning Disability and Mental Health	18,302	18,308	-	6
Older People and Safeguarding Services	25,823	25,827	-	4
Total Forecast Net Expenditure	58,389	59,144	(754)	1

Summary

2.10.21 The forecast outturn at Quarter 2 is a very minor overspend of £0.001m across the portfolio, virtually unchanged from the balanced position reported at Quarter 1.

Client Support Services

2.10.22 The service is projecting to underspend by £0.044m as a result of additional income generated from Court of Protection charges

Commissioning

2.10.23 The service is reporting a pressure of £0.034m, an under spend generated by a number of vacant posts is being offset by a shortfall in income largely down to buyback of the Helpline service operated by MioCare.

Director of Adult Social Care

2.10.24 The Service is showing a virtually balanced outturn incorporating a planned transfer of resources funded by earmarked reserves to the Oldham Clinical Commissioning Group of £754k.

Learning Disability and Mental Health

2.10.25 The services are forecasting a combined overspend for the year of £0.006m. An increase in the complexity of care has resulted in an over spend of £0.367m for care provided within Supported Living. Costs have also increased in residential care largely for Mental Health clients by £0.148m and nursing care by £0.124m as a result of national minimum wage uplifts. Social Workers and Senior Practitioners have proven difficult to recruit to and as such there is a predicted salary saving of £0.222m with a further saving of £0.030m from the sensory equipment budget. An upturn in the number of clients eligible for Continuing Health Care contributions has resulted in additional income from the CCG of £0.186m and non-residential income recovery from clients within Learning Disabilities is set to overachieve by £0.195m.

Older People and Safeguarding

- 2.10.26 The Service is projecting to overspend by £0.004m. Physical Support care management is expected to overspend by £0.639m mainly due to increases in the complexity of care packages for people receiving care at home. Sensory Support care management is projected to underspend by £0.304m due to a reduction in people in residential care and supported living. Income is expected to underachieve by £0.121m as a result of a reduction in the number of direct payment audits. Several senior posts and a number of social worker posts have remained vacant for the first half of the year, consequently a projected underspend on salaries of £0.452m is expected to offset the pressures described in care management.
- 2.10.27 There have been no further announcements or developments in relation to the application of the National Minimum Wage to sleep-in payments; an element of uncertainty and risk remains. No provision has currently been made within the forecast, a watching brief is being maintained.
- 2.10.28 The Budget Reductions for the Health and Adult Social Care Community Services Portfolio in 2018/19 are £0.150m plus £0.176m approved in 2017/18 carried forward into the current financial year; all of which are forecast to be fully achieved.
- 2.10.29 On 2 October 2018, the Secretary of State for Health and Social Care announced a £240m package of social care funding to ease pressure on the NHS over the winter period. This was allocated to Councils based on the adult social care relative needs formula. A further announcement on 17 October 2018 confirmed the funding allocation for Oldham at £1.122m and that it should be focussed on delayed transfers of care (DTOC), reducing extended hospital stays, improving weekend discharge rates and speeding up the process of assessing and agreeing social care needs for hospital patients.
- 2.10.30 There is an expectation that local health partners including acute trusts will be involved in deciding how the funding is applied and the Department will be asking trusts to confirm that they have been satisfactorily engaged. In addition it is anticipated that health providers and local authorities will jointly monitor improvements through locally agreed monitoring arrangements.
- 2.10.31 The letter stipulates that authorities will be required to certify that the grant will be spent on providing adult social care services (in addition to funding already planned) and also that Councils will confirm the additional volumes of care and support the increased funding will purchase by returning a central template. Any further announcements or updates will be included in subsequent monitoring reports.

Progress against Locality Plans

- 2.10.32 A key element of the Health and Social Care devolution agenda is the submission of a Locality Plan setting out the Council and Oldham Clinical Commissioning Group (CCG) vision for the greatest and fastest possible improvement in the health and wellbeing of our residents by 2021. This improvement will be achieved by supporting people to be more in control of their lives by having a health and social care system that is geared towards wellbeing and the prevention of ill health; access to health services at home and in the community; and social care that works with health and voluntary services to support people to look after themselves and each other.

2.10.33 The financial performance against the latest version of the 2018/19 Locality Plan is highlighted below in the table below;

Table 7 – Locality Plan

	Revised Budget £000	Forecast £000	Variance £000
Health and Adults Social Care Community Services	57,910	57,911	1
Public Health	11,410	11,428	18
Children's Social Care	34,254	38,345	4,091
Total	103,574	107,684	4,110

2.10.34 The range of services included within the Locality Plan does not completely align with the Council's Directorate reporting arrangements, the reported variances do therefore on occasion differ slightly from the position reported by the Council. That said, the reasons for the variances are consistent with those reported within Children's Social Care (section 2.10.13), Health and Adult Social Care Community Services (sections 2.10.21 to 2.10.26) and Public Health (section 2.10.43).

Oldham Cares; Section 75 Reporting for Oldham Council

2.10.35 Section 75 agreements exist between Local Authorities and the NHS nationally for the pooling of budgets to facilitate closer working. Historically Oldham has entered into such an agreement with the CCG. The scope of services contained within the Section 75 agreement has increased considerably for 2018/19. The Councils contribution and relevant forecast outturn are illustrated in the table below.

Table 8- Section 75 Reporting for Oldham Council

	Revised Budget Expenditure £000	Forecast Expenditure £000	Variance £000
Carers Services	342	342	0
Extra Care Housing	263	263	0
Hospital and Urgent Care Social Work Team	676	676	0
Housing Related Commissioning	478	478	0
Learning Disability Support	12,285	12,618	334
Mental Health and LD Contracts	4,021	4,021	0
Mental Health Support	6,359	6,617	258
Mio-Care Contract	11,137	11,137	0
Older people contracts	718	718	(0)
Physical Support	29,406	30,045	639
Sensory Support	1,346	1,042	(304)
Strategic Commissioning Staffing	235	235	0
Support with memory & cognition	2,886	2,933	47
Community Cluster Teams	2,018	2,018	0
Community Equipment	1,400	1,400	0
Disabled Facilities Grant - Capital	1,914	1,914	0
Grand Total	75,484	76,457	973

2.10.36 The initial Section 75 agreement for 2018/18 encompassed pooled budgets totalling £74.899m. This has increased with the application of additional resources and virements between budgets in and outside of the pool to £75.484m. Against the revised budget there is a forecast adverse variance of £0.973m. The pressure is in line with the elements of overspend relating to community care linked to Learning Disability and Mental Health and also Older People and Safeguarding reported at sections 2.10.25 and 2.10.26 within Health and Adult Social Care Community Services. The over spend is offset by favourable variances (income generation and salaries underspends) elsewhere within the services to deliver a virtually balanced outturn for the portfolio as a whole.

2.10.37 It is proposed that the Council makes an increased contribution of £5.9m (financed by earmarked reserves) to the Section 75 Pooled Fund in 2018/19. This contribution will enable our partners to access funds in 2019/20 which will benefit the system approach to Health and Social Care. Subsequently the Authority's contribution to the Pooled Fund is expected to reduce in 2019/20.

Reform

2.10.38 The following table shows the forecast position for the Reform portfolio after the approved and planned use of ear marked reserves.

Table 9 – Reform – Forecast Outturn

	Revised Budget £000	Forecast £000	Use of ear Marked Reserves £000	Variance £000
Executive Support	14	(21)	-	(35)
Heritage, Libraries and Arts	7,202	7,219	(80)	(63)
Leisure and Youth Services Client	5,460	5,629	-	169
Policy	9	107	(98)	0
Public Health (Client and Delivery)	17,850	17,949	(99)	0
Marketing and Communications	2	157	(139)	16
Total Forecast Net Expenditure	30,537	31,040	(416)	87

2.10.39 The forecast outturn at Quarter 2 is an over spend of £0.087m. The paragraphs below outline the main movements within the portfolio.

2.10.40 Executive Support is showing an under spend of £0.035m relating to staffing vacancies.

2.10.41 Heritage, Libraries and Arts is predicting an under spend of £0.063m. The majority of services are predicting a balanced outturn, the general trend being salary underspends supporting overspends in other areas, this includes Libraries where £0.080m is projected as being drawn down from ear marked reserves to fund refurbishment work. The music service is forecasting an adverse variance of £0.043m due to a shortfall against the income target and forecast overspends on equipment and salaries. The PFI contract is currently forecast to underspend by £0.106m following the transfer of ICT services to Unity.

2.10.42 Leisure and Youth is forecasting a pressure of £0.169m. There is a forecast overspend of £0.067m within Leisure, the majority of which relates to various

payments the Council is contractually obliged to make to Oldham Community Leisure. Outdoor Education is forecasting a pressure of £0.043m, a combination of a shortfall in predicted income, additional coach hire and overspends on salaries. There is a predicted adverse variance of £0.062m within Sports Development, the main factor being a shortfall against targeted income.

- 2.10.43 Public Health is showing a balanced outturn, this is after a £0.099m (provisional) drawdown from the Public Health reserve. There are potential future financial liabilities arising firstly from the Council vacating NHS premises and relocating Health Visitors and School Nurses in health centres across Oldham for the 0-5 Right Start Model and secondly as a result of occupation and the payment of premises costs for the delivery of sexual health service at the Integrated Care Centre. Discussions are on-going as both these issues impact on the local health economy across the Council and the CCG. Additional costs have not been included within the forecast at Quarter 2 for either of these factors. Any key issues or developments will be included in future financial monitoring reports.
- 2.10.44 Marketing and Communications which was previously reported within the Chief Executive portfolio is showing a minor overspend of £0.016m, this is after the use of reserves totalling £0.139m.
- 2.10.45 The Budget Reductions for the Reform Portfolio in 2018/19 are £0.680m and forecast to be fully achieved.

Capital, Treasury and Corporate Accounting

- 2.10.46 The forecast outturn at Quarter 2 is an under spend of £5.010m. This budget includes the income and expenditure from the Council's investments and borrowing as well as capital financing costs.

Table 10 – Capital, Treasury and Corporate Accounting – Forecast Outturn

	Revised Budget £000	Forecast £000	Use of Reserves £000	Variance £000
Capital, Treasury and Corporate Accounting	(14,362)	(19,372)	-	(5,010)
Total Forecast Net Expenditure	(14,362)	(19,372)	-	(5,010)

- 2.10.47 The underspend reported is largely due to the anticipated costs for borrowing and capital financing being lower than the prudent amount that was originally budgeted for, increased income from treasury management activities and a number of un-ring-fenced grants which have been held centrally and so underpin the budget.
- 2.10.48 Sign up for the voluntary annual leave purchase scheme is currently not sufficient to achieve the target included within the 2018/19 budget which is held within this portfolio. At Quarter 2, the forecast adverse variance with regard to this scheme is £0.502m. This will continue to be monitored throughout the financial year with any future year impacts analysed and reported accordingly.

Schools

- 2.10.49 The Council's expenditure on schools is funded primarily by grant monies provided by the Department for Education, the Dedicated Schools Grant (DSG). DSG is ring-fenced and can only be applied to meet expenditure properly included in the Schools' Budget, as defined in the School Finance (England) Regulations 2017. 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.
- 2.10.50 Members will recall the DSG is made up of 4 blocks
- Schools
 - High Needs
 - Early Years
 - Central Schools Services
- 2.10.51 Despite the support from the Schools block in 2018/19, the High Needs Block in Oldham is still expected to have an in-year deficit of £1.455m. This is an increase of £0.987m from the position reported at Quarter 1, due to an increase of £899k for pupils attending special schools from September 2018 and a significant increase of £519k for new Education, Health and Care plans. This contributes to a cumulative deficit forecast to be £9.430m at 31 March 2019 which is offset by cumulative virements and savings from the Schools and Early Years blocks to leave a net deficit of £3.510m (as illustrated in Table 11 below). This in turn is a significant element of the overall deficit on the DSG (section 2.10.53 below).

Table 11 – DSG- High Needs Block

	£000
Original Budget Allocation	30,925
Budget Changes	(118)
Contribution from Schools Block (Schools Forum/ Secretary of State approval)	1,878
2018/19 Total Budget Available	32,685
Estimated Expenditure	(34,140)
Projected in Year Deficit	(1,455)
Deficit Brought Forward 01/04/2018	(7,975)
Cumulative Deficit	(9,430)
Offset by;	
Virement from Schools Block- 2016/17 & 2017/18	2,768
Savings in Schools and Early Years Block- 2015/16, 16/17 & 17/18	3,152
Projected Deficit 31/03/2019	(3,510)

Overall DSG Position

- 2.10.52 The cumulative deficit on the DSG is presented in the table below. At the start of 2018/19 it was £3.031m of which £2.055m was attributable to the High Needs block.

The year-end forecast position for the DSG for 2018/19 is a cumulative deficit of £4.611m, the increase being mostly attributable to further pressures in High Needs as outlined above. There may be some further requirements for additional schools funding from the DSG in 2018/19. The possible additional pressures that are known and may need to be addressed are £0.131m, if these pressures are realised, then the deficit will increase still further. The projected deficit includes an increase in the growth fund of £0.751m. It is important to note that if this extra funding is not needed during 2018/19 it will be used to offset the deficit.

Table 12- Overall DSG Position

Reason for the Deficit	£000
Deficit High Needs Block 2015-16 to 2017-18	(2,055)
Deficit Early Years Block 2015-16 to 2017-18	(976)
Cumulative Deficit 2017/18 as above	(3,031)
Other Changes including pressures in High Needs Funding	(1,580)
Projected Cumulative Deficit 2018/19	(4,611)

2.10.53 There is a requirement that the DSG is brought back into balance as soon as possible and Authority officers are currently working on a DSG financial recovery plan which has been outlined to the Schools Forum. A consultation document on the 2019/20 school funding formula has recently been issued and includes some options for reducing the high need deficit. The consultation closes on 19 November 2018 and the responses will be discussed at the next Schools Forum meeting on 28 November. A report on the 2019/20 DSG will be included on the agenda of the next Cabinet meeting.

Housing Revenue Account (HRA)

2.10.54 Table 13 compares the initially approved position to the current estimated outturn. The actual closing balance for 2017/18 at £20.162m was £0.575m better than the estimate of £19.587m. The original HRA forecast was for an in-year decrease in balances of £0.717m, the revised forecast is for an increase of £0.256m, a favourable movement of £0.973m. The overall, significant favourable variance (£1.548m) is attributable to slippage on a major capital project to which the HRA is contributing now being scheduled to finish in 2019/20 rather than 2018/19.

Table 13- Housing Revenue Account Forecast Position

Housing Revenue Account	Original Budget £000	Revised Budget £000	Variance £000
Balance Brought Forward	(19,587)	(20,162)	(575)
In Year Deficit/ Surplus	717	(256)	(973)
Balance Carried Forward	(18,870)	(20,418)	(1,548)

Collection Fund

2.10.55 The tables below shows the forecast outturn position for the Collection Fund and the share of balances of the forecast position.

Table 14 Collection Fund Forecast Position

Collection Fund Balance	Council Tax	NDR	Total
	£000	£000	£000
Balance Brought Forward	(1,976)	1,342	(634)
Receipt from CG – Deficit 2016/17	-	(1,323)	(1,323)
(Surplus)/ Deficit for the Year	(75)	-	(75)
Balance Carried Forward	(2,051)	19	(2,032)

Table 15 Collection Fund – Share of Forecast Position

Share- Oldham Council	(1,776)	19	(1,758)
Share- Greater Manchester Combined Authority (Police and Crime Commissioner)	(198)	-	(198)
Share- Greater Manchester Combined Authority (Fire and Rescue Services)	(77)	-	(77)
Total (Surplus) / Deficit	(2,051)	19	(2,032)

- 2.10.56 The increasing prominence of Council Tax and Business Rates in helping fund Council services means that the Collection Fund financial position is subject to constant review. A forecast in-year surplus of £0.075m means that the projected year-end Collection Fund position (incorporating both Council Tax and Business Rates) is a projected surplus of £2.032m of which the share for the Council is a favourable £1.758m.
- 2.10.57 The forecast year-end position is different than that estimated at Quarter 1, at which point a surplus position of £1.274m was forecast. The reason for this favourable movement in the forecast is an increase in the Council Tax/Business Rates gross debit, a reduction in reliefs and a decrease in the provision for bad and doubtful debt as a result of improved collection.
- 2.10.58 The Greater Manchester Combined Authority Area continues to pilot 100% Business Rates Retention. The pilot was first implemented on 1 April 2017. The purpose of the pilot is to develop and trial approaches to manage risk and reward in a Local Government finance system that includes the full devolution of Business Rates revenues. It is hoped the new system will provide a stable funding stream whilst incentivising economic growth. Whilst the pilot is in place, a no detriment policy is in operation under which the Government guarantees that the level of business rates income/ grant that a Council receives can be no less than it would have been if it was not in the pilot area.

3 Use of Ear Marked Reserves

- 3.1 The total planned use of ear marked reserves at quarter 2 is £6.333m. Members are reminded that this is in addition to the utilisation of £7.264m of reserves that were applied in setting the initial 2018/19 budget, £13.597m in total. Appendix 1 shows the transfers from ear marked reserves between Quarters 1 and 2.

3.2 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. The reserve is then drawn down against the initial approval as expenditure is incurred. It is currently forecast that total reserve usage in year may increase to £18.091m. It is therefore anticipated that the net use of reserves will continue to change up to the year end.

4 Conclusion

4.1 Whilst the current projected position, after adjustment for reserves, is an overall corporate under spend, the forecast over spending within People and Place remains a cause for concern. Action is being taken to manage expenditure in all areas, particularly those that are not subject to demand changes, in order to offset expenditure over which the Council has little control.

4.2 In relation to demand led pressures; work, in the form of mitigations and alternative delivery solutions is on-going, as reported to Members this is particularly focussed within Children's Social Care. There will, however be an inevitable lead in time for these benefits to be realised. The implications arising from the 2018/19 in year position will be factored into financial planning estimates for 2019/20 and future years as appropriate.

Quarter 2 - Planned Transfers from Ear Marked Reserves - Movement between Quarter 1 and Quarter 2

Reserve Name	Opening Balance 1 July 2018 £000	Contribution from Ear Marked Reserves Quarter 2 £000	Expected Closing Balance 31 March 2019 £000	Reason for Use of Reserve
Department of Energy and Climate Change (DECC) Heat Networks Funding	(112)	65	(47)	Transfer to GMCA; DECC funding held by Oldham Council.
Chief Executive	(112)	65	(47)	
Pay Review	(404)	18	(386)	To fund the project manager for the Reward and Recognition project.
Local Welfare Provision	(731)	100	(631)	Support for costs incurred in relation to resident hardship cases.
Universal Credit	(4)	3	(1)	Funding to support the delivery of Universal Credit and provide support to the Welfare Rights service.
Transformation Reserve - Corporate and Commercial	(2,802)	99	(2,703)	To support the change agenda following the acquisition of UPL.
Registrars Reserve	(15)	15	-	To create a storage room for data sensitive registration records in the cellar at Chadderton Town Hall.
Fixed Asset Land Registry	(60)	40	(20)	To fund the additional resources required to fully register all Council land with the Land Registry.
Resident First	(343)	240	(103)	Continued development of the Residents First programme leading to an improved customer interaction with the Authority.
IT Refresh	(630)	630	-	Windows 10 Refresh
Transformation Fund	(1,306)	25	(1,004)	Pension advice costs in relation to UPL acquisition
		38		IESE - Review of business change
		94		Project management costs - Traded services review
		70		PMO resourcing
		75		External advice regarding share purchase
Corporate and Commercial Services	(6,295)	1,447	(4,848)	
Transformation Fund	(141)	115	(26)	Children's Services SME support
Social Care Budget Reserve	(1,306)	590	(716)	To partially fund the Short Term Investment within Children's Social Care to review and manage care plans
Legal Fees re Children with Disabilities Team	(15)	2	(13)	To provide for legal fees and complaint costs within the Children with Disabilities team
Digital Enterprise Hub	(125)	70	(55)	To fund 2 Digital Media Officers to maintain the Council's online reputation and brand.
Unity Property Workplan	(11)	11	(0)	To utilise the balance of the Property Services work plan.
Green Dividend Ambassador	(68)	68	(0)	To fund additional staff to support the Green Dividend scheme.
Highways System Replacement	(65)	65	-	To support the upgrade of the Fleet Management system
Highways / Environmental Services	(479)	301	(178)	To fund costs associated with potholing and the hire of environmental equipment to meet the increased demand due to the severe winter and affect on the highways network.
Flood Protection Reserve	(250)	38	(212)	To fund emergency flood alleviation works.
Get Oldham Working	(140)	140	-	To fund the Council's Get Oldham Working initiative.
Career Advancement Scheme	(164)	143	(21)	To fund the Career Advancement Service Pilot Scheme.
Catering Services IT	(79)	54	(25)	To fund the implementation of a new ICT system within the school kitchens.
People and Place	(2,843)	1,596	(1,247)	
Library Fund	(103)	79	(24)	To fund refurbishment work across various Libraries within the borough.
Transformation – Digital Media Officers	(139)	139	-	To fund digital media officers to support transformation and change.
Thriving Communities	(124)	66	(58)	To support Thriving Communities and Place Based Integration
Low Carbon Infrastructure	(32)	32	-	To support the Low Carbon initiative.
Reform	(398)	316	(82)	
Total New Use of Reserves		3,424		

FINANCING OF THE 2018/19 REVENUE BUDGET AT QUARTER 2		
	£'000	£'000
Net Expenditure Budget		(219,702)
Financed by:		
Business Rates Top-up Grant	(47,975)	
Grants in Lieu of Business Rates	(7,549)	
Improved Better Care Fund Grant - Tranche 1	(4,687)	
Improved Better Care Fund Grant – Tranche 2	(3,201)	
Independent Living Fund Grant	(2,661)	
Adult Social Care Support Grant	(701)	
Adult Personal Social Services	(208)	
Opportunity Area Grant	(2,237)	
Housing Benefit & Council Tax Administration Grant	(1,220)	
New Homes Bonus Grant	(1,601)	
School Improvement Monitoring & Brokerage Grant	(105)	
DWP - Implementation of Universal Credit Grant	(262)	
DWP New Burdens Grant	(92)	
Homelessness Support Grant	(116)	
Homelessness Reduction - New Burdens	(48)	
Lead Local Flood Authority	(11)	
Extended Rights to Free Travel	(32)	
Personal Advisor support for care leavers	(11)	
SEND Regional Co-ordinator Grant	(24)	
Property Searches New Burdens	(24)	
Transition to Universal Credit Housing	(23)	
Staying Put Grant	(62)	
KS2 Moderation & KS1 Phonics	(13)	
Capital Grants	(79)	
Total Government Grant Funding		(72,941)
Council Tax Income - General	(82,386)	
Council Tax Income - Adult Social Care Precept	(4,831)	
Retained Business Rates	(51,352)	
Total Locally Generated Income		(138,569)
Total Grant and Income		(211,510)
Balance to be addressed by Use of Reserves		(8,192)
Total Financing		(219,702)