

**Manchester City Council
Report for Resolution**

Report to: Resource and Governance Scrutiny – 24 May 2018
Executive – 30 May 2018
Audit Committee – 11 June 2018

Subject: Revenue Outturn report 2017/18

Report of: City Treasurer

Summary

The report outlines for the Executive the final outturn position for 2017/18.

Recommendations

The Executive is recommended to:

1. Note the outturn position for 2017/18 as shown in the table at paragraph 3
2. Note the overall General Fund position for 2017/18 as outlined in section 59-60
3. Note the Housing Revenue Account position for 2017/18 as outlined in section 57-58

Wards Affected: None directly

Manchester Strategy outcomes	Summary of the contribution to the strategy
A thriving and sustainable city: supporting a diverse and distinctive economy that creates jobs and opportunities	The effective use of resources underpins the Council's activities in support of its strategic priorities
A highly skilled city: world class and home grown talent sustaining the city's economic success	
A progressive and equitable city: making a positive contribution by unlocking the potential of our communities	
A liveable and low carbon city: a destination of choice to live, visit, work	

A connected city: world class infrastructure and connectivity to drive growth

Full details are in the body of the report, along with any implications for

- Equal Opportunities Policy
- Risk Management
- Legal Considerations

Financial Consequences – Revenue

Provision has been made for known liabilities, whilst maintaining reserves to meet significant future costs at a reasonable level. If all recommendations are accepted the City Treasurer can confirm that this will still leave the Council in a robust financial position going forward.

Financial Consequences – Capital

There are no consequences for the capital budget.

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Background documents (available for public inspection):

The following documents disclose important facts on which the report is based and have been relied upon in preparing the report. Copies of the background documents are available up to 4 years after the date of the meeting. If you would like a copy please contact one of the contact officers above.

The Revenue Budget 2017/18 as approved by Executive 7 Feb 2017

Introduction

1. This report provides a summary of the revenue outturn position which will be reported to May Resources and Governance Scrutiny, Executive and Audit Committees.

Outturn Position 2017/18

2. The variance to budget is an overspend of £2.696m. This is a movement of £1.899m from the position last reported to the Executive of £4.595m overspend.

Summary Budget Information

3. The final outturn position is an overspend of £2.696m. The following table summarises the position by service and the following paragraphs outline the main reason for the variances to budget and significant changes from the position last reported to the Executive.

Overview of Outturn Position 2017/18

	Revised Budget	Outturn	Variance	Variance last reported	Movement last report
	£000	£000	£000	£000	£000
Total Available Resources	(546,401)	(551,276)	(4,875)	(4,226)	(649)
Total Corporate Budgets	94,680	91,988	(2,692)	(442)	(2,250)
Directorate Budgets					
Children's Services	103,819	113,838	10,019	8,934	1,085
Adult Social Care	175,144	177,923	2,779	2,045	734
Adults - Health and Care System Related	(2,151)	(1,251)	900	900	0
Corporate Core	78,144	75,600	(2,544)	(1,969)	(575)
Growth and Neighbourhood	91,992	91,042	(950)	(485)	(465)
Strategic Development	5,998	6,057	59	(162)	211
Total Directorate Budgets	452,946	463,209	10,263	9,263	(1,00)
Total Use of Resources	547,626	555,197	7,571	8,821	(1,250)
Total over / (under) spend	1,225	3,921	2,696	4,595	(1,899)

Resources to support the Revenue Budget

4. The available resources are £4.875m higher than budgeted for due to:
- Other dividends income of £0.7m made up of £0.5m more income than anticipated from the NCP Dividend and £200k income from the Piccadilly Triangle dividend.
 - The £45k higher than budgeted for grants which mainly relates to a slight increase in Council Tax Administration Subsidy.
 - Reserves of £0.522m which have been previously approved to support the revenue budget as they were not required for their original purpose. These include reserves for Public Health (£308k), Compensation (£93k), Workforce (£77k) and Children's Services (£44k).
 - Fortuitous income of £3.608m has been received. Following a revised forecast from Manchester Central Convention Centre for events income, £1.189m is now expected. There is £0.609m from Business Rates refunds, a £64k net refund from Metrolink's WiFi provider, and £49k has been released following a review of the bad debt provisions. In addition a £1.697m refund on the 2017/18 Waste Levy has been received, over and above that budgeted in Growth and Neighbourhoods. This was due to a lower than expected household waste levels being dealt with by GM Waste Disposal Authority (GMWDA).
 - The Council cannot rely on additional fortuitous income to support the budget in 2018/19 and the resource base will be carefully modified.

Corporate Budgets

5. Spend against Corporate budgets is £2.692m less than budgeted for, the unallocated elements are listed below and have been fully taken into account when setting the 2018/19 budget.
6. The reasons for the variance are:
 - The Contingency budget of £1.137m underspent. The contingency, which was held in relation to the GMWDA Levy, has an unused balance of £0.937m. This is a 2017/18 saving only and future contingency requirements will depend on other performance, waste and recycling levels which can be unpredictable. This will therefore need to be reassessed during 2018/19. The remaining underspend relates to £200k of support for Universal Access to ICT. This will be required in 2018/19.
 - There is a remaining balance of £1.236m on budgets to be allocated; £1.110m of non-pay inflation, mainly due to Homecare and Residential Nursing being funded from Better Care Fund (however, this will be a call on the inflation contingency in 2018/19), £57k Apprenticeship Levy and £69k carbon reduction charge.
 - As previously reported £1.797m for the following areas of budget growth has not been required in 2017/18 but will be needed in 2018/19. This includes: Delivery of the Information and ICT strategy (£1.397m), HR/OD (£55k), Commissioning Team (£170k), Highways Bridges backlog of inspections (£175k)
 - Levies are £23k lower than budgeted.
 - There is a central budget for historic pension costs. Additional allowances are £358k below budget and historical pension costs are underspent by £240k as less people are now in the scheme.
 - Sleep In Provision - following a recent tribunal ruling it is likely that care providers will be required to meet the cost of backdated payments for up to six years. A provision has been established for this amount which is held on the balance sheet.

Children's Services

7. The overall position is an overspend of £10.019m which is an increase of £1.085m from the last report to Executive. The overspend relates to placement costs of looked after children and leaving care, particularly external residential care placements. Based on 2016 and 2017 placement data, two thirds (62%) of children and young people remained in residential care for less than 6 months and over three quarters (77%) remained for less than a year. A large proportion of those in placements over two years tended to have profound and multiple disabilities. The overall Looked After Children (LAC) numbers including Unaccompanied Asylum Seeking Children have increased from 1,170 at the end of March 2017 to 1,255 at the end of March 2018 (7%). The key pressures on these budgets include:
8. The cost of external residential placements is £6.122m higher than budgeted for and £2.223m higher than reported to the Executive in February which was

based on the position to the end of December 2017. The increase in overspend is due to a higher than budgeted number of placements and a lower than expected contribution from the Clinical Commissioning Group (CCG) for high cost placements. The CCG has agreed a contribution of £2.2m to cover 2017/18 and 2018/19 financial years. However the £2.2m will be applied in full in 2018/19 towards placements costs being incurred by Council. At the end of March 2018 residential placements numbers were 74, which is 14 higher than forecast in February. The unit cost was 22% higher than budget. The unit cost increase is linked to both levels of need and the increasing competition for very limited placement vacancies (due to rising looked after children numbers regionally and nationally). This has been compounded by the difficulty in finding foster care placements for older children with complex needs.

9. The fostering overspend is £2.299m, which is £181k higher than reported in February due to placement numbers increasing from 418 in December 2017 to 427 in March 2018. It should be noted that the position also includes £264k from contractual refunds linked to the work of the Commissioning and Placement teams to review the contracts in place. The target is to further reduce the number of external foster care placements through the increased use of internal foster care provision. During 2017/18 the actual number of internal foster care placements increased by 54 as per the planned strategy.
10. Leaving Care placements costs are £1.813m higher than budget, which is a small reduction in the overspend position reported in February. Since April 2017 Supported Accommodation placements have increased by 60, which is largely as a result of avoiding use of bed and breakfast accommodation for care leavers where other accommodation is not available. The cost of accommodating care leavers over 18 is c£1.8m which is an additional pressure for Children's Services in 2017/18 as housing costs would previously have been met through the temporary accommodation budget managed by the Homelessness service.
11. Special Guardianship Orders (SGOs) overspent by £0.710m, which is an increase of £38k since reported in February. SGOs are 38 placements above the target number of for March 2018, due to good progress made with attracting carers. This is partly because the service has improved the SGO offer to ensure that carers receive a good level of support and a guaranteed financial commitment if the placement continues.
12. Children's Social Work is £184k overspent which is linked to the use of agency provision to ensure caseloads are maintained at a reasonable level.
13. The Youth Justice overspend of £193k relates to the cost of young people on remand. Currently there are 34 young people on remand. Due to the severity of the crime young people are being tried for the cases are being held at the Crown court which can result in longer remand periods. This is a highly volatile area and reported to partners at the Youth Justice board on a regular basis. The service is continuing to work with the Judiciary in order to minimise the remand periods.

14. Other areas of overspend include the following:
- The Children Adolescent Mental Health Service (CAMHS) has overspend £149k as a result of continuing to pay Manchester Foundation Trust for a contribution towards the CAMHS service which was expected to end from 1st April 2017.
 - Fostering, Contact Referral and Emergency Duty services overspent by £120k with higher than budgeted for staffing costs.
 - Core and Back office services overspent by £60k.
15. These overspends are offset by underspends in the following areas:
- Early Help with an underspent by £390k on workforce and commissioning budgets.
 - Adoption Allowances underspent by £335k. All adoption allowances are now being reviewed on a regular basis in line with the updated policy.
 - Unaccompanied Asylum Seeking Children (UASC) and Leaving Care Funding and No recourse to Public Funds are underspent by £456k, this is due to lower than expected accommodation charges and higher than anticipated Home Office grant for UASC.
 - The budget evidenced based interventions underspent by £370k as planned and this budget has been refocused towards meeting placements costs in 2018/19.
16. Education Services' underspent by £413k, which is an increase of £81k from the £332k last reported to the Executive. Pressures in the Home to Schools Transport service is off-set by underspends in Education commissioning, Free Travel and School Crossing Patrols. Changes since last month include:
- Home to School Transport - £284k increase in overspend following updated information from transport operators.
 - Youth Services - £182k increase in underspend on commissioned services.
 - Education Strategic Leads - £110k increase in underspend due to vacancies.
17. The balance is made up of other minor over and underspends totalling £333k underspend.
18. The 2018/19 budget was set on the estimated number of placements based on the best information available at that time. These assumptions have been reviewed in the light of the year end position.
19. The 2018–20 Children's Services budget approved by Council in February included additional investment of £7m and a plan to make savings by reducing placements during 2018/19 and lowering unit costs. This will enable the Directorate to continue to invest in additional social work capacity and Early Help and provide the level of service to those who most need it, whilst the

strategy continues to embed. More specifically the 2018-20 budget delivery plan includes:

- Negotiation and contractual discussions with providers of external residential and fostering providers aim to secure £1.65m in 'discounts' and revised procurement arrangements during 2018/19. Between October 2017 and January 2018 a series of bilateral negotiations with the top 3 providers of external residential care for children have taken place.
 - A new North West External Residential framework will be in place from April 2018. The new framework will give access to an additional 400 external residential homes and could help to reduce unit cost of the placements.
 - Continuation of the improvement activity and capacity in relation to care planning, management oversight, focused on work to improve the skills and capacity of the Centralised Placement Finding Team and engaging partner agencies which play an important role in reducing spend in this area.
 - Agreeing a new joint commissioning and funding arrangement with the Clinical Commissioning Group for 2018/19.
20. Based on the position with external residential and foster care numbers at the end of March 2018, there is an estimated level of risk to the delivery plan of c£4m in 2018/19. This estimate recognises that the starting position for making reductions in placement numbers has increased since the budget was set.
21. The 2018-20 budget report recognised the risk that the reduction in residential placements was ambitious and a non-recurrent contingency budget of £2m was established to mitigate the risk if placement numbers did not reduce during the remainder of 2017/18. The budget set for 2018/19 also includes an allowance of 2% for non pay inflation. An assessment of what will be reasonable to allocate to the Children's Placement budget will need to be made.
22. The position continues to be carefully reviewed with further actions to deliver within budget being identified.
23. The Dedicated Schools Grant is £0.769m overspent. The key pressures relate to the high needs block of £3.1m which are partially offset by underspends in the early years and schools block. Manchester will receive an additional £2.46m high needs block funding in 2018/19. The increase may not fully cover the increased demand. In order to manage the high needs budget pressure the Directorate is identifying significant efficiencies through the agreed closure of a residential special school and reduction to the city wide sensory support service, which has previously been reported to Executive.

Adult Social Care and Public Health

24. These budgets have overspent by £3.679m which is an increase of £0.734m since February Executive. The main variations are outlined below:
25. Care (£256k underspend) – This is a reduced underspend of £70k from the position reported to February Executive. The final position includes underspends of £46k in residential and nursing care, carers budgets of £247k and cash personal budgets of £178k, offset by an overspend of £200k on homecare and other minor overspends of £15k. The homecare pressure results from the following:
- An 10.9% year on year increase in commissioned homecare hours (23,326 at April 2017 and 25,869 at March 2018);
 - A reduced number of framework providers has led to an increase in spot purchasing at higher rates. This represented 29% of all commissioned hours at March 2018 and £4.2m of total spend.
26. Residential and Nursing care had a £46k underspend at year end. The number of residential placements has reduced steadily for the second half of the year as shown in the table below. However, the reductions were lower than planned to achieve the savings modelled from new Extra Care delivery models and as a result there was a shortfall in savings of £0.548m.

Residential and Nursing	Mar-16	Sep-16	Mar-17	Sep-17	Mar-18
Permanent Placements	1,137	1,115	994	1,016	960
Other Placements (temporary and short breaks)	60	63	27	288	12
Total	1,197	1,178	1,021	1,044	972

27. Other care budgets had a total underspend of £410k in part due to spend on equipment budgets being met through use of the Disabled Facilities Grant.
28. Mental Health (£422k overspend) - This is a movement of £222k from the February Executive report. There has been further growth in eligible clients throughout the financial year, resulting in the increased overspend. This is despite significant investment into the service as part of the 2017/18 budget process. It is anticipated that the full year effect of the 2017/18 increase can be met by the 2018/19 demographic allocation of £0.819m. The increase in the over 65s presenting with mental health needs, particularly dementia, has seen an increase in people requiring care a support, increasing 164 at the start of the year to 188 at the end of the year.
29. Learning Disabilities (£182k overspend). This is an increase of £16k from the previous report. During the course of the year there has been a net increase of 86 clients whose additional costs have been met from agreed budget allocations, as per the budget process. In addition there are financial pressures of £0.9m from new cases to the Council that have arisen following the outcome of the Winterbourne View inquiry. Significant savings have been achieved over the course of the year, totalling £1.2m which have been

achieved through high cost placement reviews and direct contract negotiations.

30. In-house services (£1.242m overspend) - The outturn represents an increase of £392k from the previous report. The service has had a challenging 12 months following safeguarding issues which were raised at the start of the previous financial year by the Care Quality Commission (CQC). The level of agency usage has been necessary to maintain safe staffing levels and stabilise the service but this has placed a strain on the budget. Until all ongoing investigations are concluded, this pressure is likely to remain.
31. Assessment Care and Support (£86k overspend) – This is an increase of £146k compared to the previous report and is due to agency costs being higher than projected.
32. Safeguarding (£113k underspend) – The underspend has increased by £53k since the last report due to payments for best interest assessments being lower than projected and the service facing delays in recruiting to specialist roles.
33. Commissioning (£430k underspend) – The outturn position is an £130k increase in underspend since the last report to the Executive. The service has a number of vacant posts and have faced delays in recruitment as they have progressed new structures to form Manchester Health and Care Commissioning.
34. Public Health (£317k underspend) – The outturn position is a £42k increase in underspend since the previous report due to increased underspends on the activity based contracts.
35. Back office (£127k underspend) – The outturn position is an £88k increase in underspend since the previous report. The position reflects pressures on senior manager budgets due to recruitment and advertising costs offset by underspends on business support.
36. Homelessness (£2.092m overspend) - The outturn position is £204k higher than reported to the February Executive. The main reason for the increase is additional costs arising from the opening of the Longford Centre (£223k), and the numbers in bed and breakfast accommodation not reducing as quickly as projected. As reported throughout the year the introduction of the flexible homelessness support grant has resulted in a significant cost pressure. Of the £2.092m reported above, £1.932m is directly attributable to the introduction of this grant. The service is working with partner agencies to look at new models of provision for 2018/19 in order to reduce the cost pressure. Additional funding has also been provided as part of the budget process.
37. In addition the Discretionary Housing Payment scheme (DHP) is designed to provide an amount of funding to deal with anomalies and hardship in situations where normal Housing Benefit does not cover the rent. The 2017/18 budget (funded by Department of Work and Pensions) is £2.60m, with a further £0.5m

approved and funded from Corporately held budgets. Short lease DHP spend makes up c25% of the allocation mostly due to families in temporary accommodation affected by the benefit cap and those who are on Universal Credit and subject to the Local Housing Allowance rate for calculating housing costs.

38. A summary of the overall Homelessness position is shown in the table below:

Homelessness	£000
Adults Services	2,092
Children's Services – Leaving Care	1,813
Discretionary Housing Payment (mainly funded by DWP)	2,941
Total	6,846

39. Since this budget was approved a review of progress with implementation of the new care models through the LCO and delivery of other ASC savings has been undertaken. This has highlighted a potential risk of c£5m if planned savings are not achieved. Work is ongoing with MHCC and the LCO to minimise this risk and seek alternative measures. As set out in the budget report pressures on the Homelessness Service from the cost of temporary accommodation are likely to continue to rise and alternative approaches to secure suitable accommodation within the City are being developed.
40. In autumn 2017 the Government announced that it will publish a green paper on care and support for older people by summer 2018. This will set out plans to improve care and support for older people and tackle the challenge of an ageing population.

Corporate Core

41. The Corporate Core are reporting an underspend of £2.544m which is an increase of £0.575m since the February Executive. The position is summarised in the table below:

	Variance	Movement
	£000	Last report to
		Executive
		£000
Chief Executives	(559)	79
Corporate Services	(2,075)	(750)
Highways	90	96
Total	(2,544)	(575)

42. **Chief Executives** are reporting a £0.559m underspend, this is a small reduction of £79k since the previous update to members.
43. The overall £0.559m underspend is predominantly due to staff savings arising from vacant posts across most service areas and higher than anticipated income offset by overspends in Legal Services and Democratic and Statutory services. The position by service area is as follows:

- People, Policy and Reform - £322k underspend due to staff savings from vacant posts and higher than forecast income in relation to Agency Client Group in the first half of the year.
 - Legal, Democratic and Statutory Services - £4k underspend, this is due to a combination of reduced staffing costs and increased income in Communications and Executive Services. This is offset by the higher than forecast Coroners costs of £438k and reduced income in Legal Services £126k.
 - ICT £129k underspend due to a combination of staff savings and reduced telephony costs, partially offset by the shortfall in income from staff time recharged to capital for works undertaken on Capital projects.
 - Corporate Items - £104k underspend due to higher take up of the annual leave purchase scheme, there are additional savings targets for this in 2018/19.
44. **Corporate Services** are reporting a £2.075m underspend, this is an increase of £0.750m since the previous report to members, the two main variations are Revenues and Benefits position has improved by £0.615m due to higher than forecast Housing Benefit Subsidy and Capital Programmes underspend has increased by £107k due to increased fee income. .
45. The overall underspend is predominantly due to staff savings arising from vacant posts and higher than anticipated income. Further details for each service area are set out below:
- Commissioning – breakeven.
 - Procurement - £83k underspend due to a combination of staffing underspends and higher than forecast income.
 - Revenue & Benefits - £0.896m underspend largely due to underspends on administration costs of £338k and an additional £442k on subsidy income. The service awarded 5,103 discretionary housing payments totalling £2.941m of which £2.554m was funded through Government contributions.
 - Customer Services - £291k underspend due to staff savings through vacant posts.
 - Shared Service Centre - £118k underspend due to staff savings through vacant posts.
 - Financial Management - £422k underspend due to reduced staffing costs and lower running costs.
 - Performance Research and Intelligence - £290k underspend due to staff savings on vacant positions
 - Audit, Risk and Resilience - £46k underspend due to staff savings through vacant posts.
 - Capital Programmes - £147k underspend due to higher than forecast fee income.
 - Local Care Organisation - £175k of costs have been incurred as part of the initial setup of the organisation, and these have been funded from the overall Corporate Core underspends.
 - Corporate Items £43k overspend due to additional pension costs.

46. **Highways Services** are reporting an overspend of £90k, this is a movement of £96k since the last Executive report. The main variations within Highways Services are; overspends in Manchester Contracts £1.337m and On Street Advertising £0.700m offset by underspends in City Wide Highways team £1.192m, Highways Capital Programmes team £474k, accidents and trips £247k and street lighting £100k, these are supplemented by other minor variances of £66k. The underspend in City Highways is mainly due to over £1.4m of the large scale patching and repairs works being charged to capital.

Growth and Neighbourhoods

47. The Growth and Neighbourhood year end outturn position is an underspend of £0.950m, the underspend has increased by £465k since the previous report. The underspend is made up of the following underspends Planning Building Control and Licensing (£463k), Business Units (£340k), Work and Skills (£126k), and Directorate Support (£66k) offset by a small overspend of £45k on Neighbourhood Services.
48. The increase in underspend of £465k is made up as follows:
- Additional income and reduced running costs in Business Units (£240k),
 - Additional Planning and Licensing Income of (£269k).
 - Other minor adverse variances of £44k across the Directorate.
49. The Growth and Neighbourhood overall variance is made up as follows:
50. Neighbourhood Service overspend of £45k is largely due to:
- Waste and Street Cleansing - £429k overspend as a result of waste collection and approved street cleaning service variations agreed on the waste contract.
 - Parks, Leisure and Events - £166k overspend due to additional cost pressures and £66k unachieved income targets from events sponsorship.
 - Neighbourhoods Management – An increased bad debt provision of £149k has been provided for, this is due to the year end review of all outstanding debts and the age profile of the debts.
 - Compliance, enforcement and community safety - There is an underspend of £0.521m which is mainly on employee costs as it has been difficult to recruit to positions because of the unusual working patterns and specialist skills required. The underspend relates to Compliance Enforcement £384k, Trading Standards £50k, Civil Contingencies £22k, Crime & Disorder 76k, Head of Service £2k offset by an overspend on Compliance & Public Protection £13k.
 - Libraries, Galleries & Culture - £137k underspend due to holding vacancies and additional income within the Libraries service.
 - Other minor underspends £41k.
51. The Planning, Building Control and Licensing underspend of £463k is due to additional income received from for large scale planning applications. It has been reported throughout the year that the surplus income generated on Planning and Building Control will be used to offset the deficit on Taxi Licensing which has had a reduction in income due to the timing of renewals

on three year licenses. A number of these issues have been addressed when setting the fees for 2018/19 and work continues to streamline systems and ensure all costs are recovered.

52. Work and Skills underspent by £126k. £89k relates to staffing costs due to vacancies and £37k for projects that will now commence in the new financial year.
53. Directorate Support underspent by £66k due to small variances across the service.
54. Business Units underspent by £340k which is mainly due to:
 - Bereavement Services - £144k underspend from additional income mainly due to additional burials and cremations.
 - Pest Control - £73k underspend due to employee savings and additional income from MCC schools.
 - Manchester Markets - £47k underspend due to savings on repairs and maintenance at New Smithfield Market offset by reduced income in Specialist Markets and Sunday Market Car Boot.
 - School Milk £76k surplus of income over expenditure.

Strategic Development

55. The Strategic Development outturn position is a small overspend of £59k, this is an adverse change of £211k since the previous update.
56. The Strategic Development outturn is made up as follows:-
 - Operational Property £0.590m overspend due to reduced rental income for both Heron House and Hammerstone Road Depot, offset by increased income at a number of sites including Alexander House, Etrop Court and Central Library along with reduced running costs across the Operational Estate.
 - Facilities Management - £296k underspend – which is mainly due to reduced expenditure on Planned Preventative Maintenance.
 - Investment Estate - £209k underspend – mainly due to additional rental/lease income for Wythenshawe Town Centre, Manchester City Football club and new Cathedral Street partially offset by a reduction in income from the Arndale Centre.
 - City Centre Regeneration - £102k underspend – due to additional prior year's income for the HS2 project and lower than forecast consultancy costs.
 - Housing and Residential Growth - £57k underspend – due to increased funding within Residential Growth offset by additional charges for use of the land registry service and other small variations.
 - Strategic Development - £133k overspend mainly due to increased legal costs along with other small variances.

Housing Revenue Account

57. The Housing Revenue Account (HRA) outturn position is a £24.112m favourable variance, an increase of £5.597m from the position previously reported to Executive. This relates to:
- Private Finance Initiative (PFI) Contractor payments - £3.403m underspend due to further delays in capital works at Brunswick. The element relating to capital works (£2.8m) will be carried forward into 2018/19 or until the works are completed.
 - Revenue Contribution to Capital Outlay (RCCO) - £22.981m underspend – this is due to a combination of lower than forecast capital expenditure and an increase in other resources available to fund capital, therefore reducing the need for revenue support. The main variations in forecast capital expenditure are in relation to:-
 - The North Manchester New Build project has slipped by £6.4m
 - Proposed works to multi storey blocks are currently on hold pending the review into the Grenfell fire - £4.3m
 - Schemes planned for retained stock (Collyhurst Regeneration and Parkhill) - £7m
 - External cyclical works and works to Homelessness properties have been delayed and forecast costs were £1.5m
 - Cost savings on other works £260k.
 - An increase in available capital resources of £3.54m due to accelerated Homes England grant funding of £0.600m and from the higher than forecast depreciation charge of £2.94m. The depreciation charge is higher than forecast due to an increased valuation of the HRA stock as this is used for calculation purposes. Following the introduction of HRA self financing and subsequent CIPFA guidance depreciation is a real cost to the HRA revenue account to reflect costs of using the assets and this is credited to the HRA balance sheet, this balance can then be used to fund additional capital expenditure on the HRA assets.
 - Supervision and Management costs are £0.700m lower than originally forecast due to a slippage of costs in relation to the replacement Housing Management System £400k and other savings on staffing and other running costs of £300k.
 - Other Variances – £32k underspend
58. The HRA is a ring-fenced account and any surplus/ deficit in year has to be transferred to/taken from the HRA reserve. For 2017/18 £8.684m has been credited into the reserves at year end. This leaves a balance of £64.569m in the HRA General Reserve. The 30 year business plan currently forecasts that reserves will be exhausted by 2032/33 and work is ongoing to identify efficiencies that ensure that the reserves are kept at a sufficient level to ensure risk can be managed and there are sufficient resources available to fund future investment needs.

General Fund Reserve position

59. The General Fund reserve position at 1 April 2017 was £26.226m. The 2017/18 budget assumed there was a call on the General Fund reserve of £0.525m leaving a balance of £25.701m. Following the approval of the

2016/17 carry forwards of £0.700m this was forecast to reduce to £25.001m as at 31 March 2018. This excludes the impact of the 2017/18 outturn position. There have been no carry forwards approved for 2017/18.

60. The actual outturn position is an overspend of £2.696m, this will mean that the overall fund balance will be lower than originally assumed and there will be a net total withdrawal of £3.921m. This will leave a balance on the General Fund Reserve at 31 March 2018 of £22.305m.

Conclusion

61. Overall the variance to budget is an overspend of £2.696m. This is an improved position of £1.899m, reducing the overspend previously reported to Executive of £4.595m. Whilst the overall position is lower than that previously forecast this is due to additional fortuitous income and the release of contingencies that were not required. The cost pressures and key risks will be addressed throughout 2018/19. As set out in this report, there are continued pressures on the budgets for Children's and Adults Social Care and early action will be required in 2018/19 if a balanced budget is to be achieved. The achievement of the approved savings targets is integral to this process and will continue to be closely monitored and reported.