

**Manchester City Council
Report for Resolution**

Report to: Executive – 17 February 2016

Subject: Global Revenue Budget Monitoring 2015/16
(report to end of December 2015)

Report of: City Treasurer

Summary

This report contains a summary of the Council's revenue budget position based on an assessment of income and expenditure to the end of December 2015.

Recommendations

The Executive is requested to:

- (i) Note the contents of the report
- (ii) Approve the proposed use of grant as set out in paragraph 6
- (iii) To approve the establishment of an Adult Social Care reserve funded from the 2015/16 projected underspend
- (iv) To approve the proposed virements in paragraph 13

Wards Affected: All

Community Strategy Spine	Summary of the contribution to the strategy
Performance of the economy of the region and sub region	This report looks at the overall projected out-turn position against the budgets which underpin all of the council's activities
Reaching full potential in education and employment	
Individual and collective self esteem – mutual respect	
Neighbourhoods of Choice	

Implications for:

- Equal Opportunities Policy – there are no specific Equal Opportunities implications contained within this report
- Risk Management – an assessment of the major budget risks faced by the Council has been carried out and is monitored monthly by the Strategic Management Team. The risk to the achievement of individual savings

proposals is also monitored monthly and reported to the Strategic Management Team.

- Legal Considerations – there are no specific legal considerations contained within the report

Financial Consequences – Revenue

The report identifies a projected net revenue underspend of £1.916m for 2015/16, based on income and expenditure up to the end of December 2015.

With the likely scale of funding pressures and future resource reductions, it is important that the Council maintains a robust position on reserves and maintains the ability to deal with issues that arise during the financial year.

Financial Consequences – Capital

The revenue budget includes funding to meet the capital financing costs of the Council. Changes in the capital programme can affect the budget to meet such costs

Contact Officers:

Name: Richard Paver
Position: City Treasurer
Telephone: 0161 234 3564
E-mail: r.paver@manchester .gov.uk

Name: Carol Culley
Position: Deputy City Treasurer
Telephone: 0161 234 3406
E-mail: c.culley@manchester.gov.uk

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 approved revenue budget for 2015/16

1 Introduction

- 1.1 The purpose of this report is to provide the Executive with a summary of the revenue budget position of the Council for 2015/16 based on an assessment of income and expenditure to the end of December 2015.

2 Background

- 2.1 Reporting budget monitoring information is part of robust management arrangements across the Council and is part of a programme of continuous improvement. Its purpose is to raise issues which need to be controlled through further management action and does not necessarily reflect the expected final position at the year end. It should be noted that the position may change as work is done towards the end of the year by Strategic Directors to bring spend back in line with budgets.
- 2.2 Budgets are being monitored on a monthly basis by senior management and monthly reports are also made to individual Executive Members through Strategic Directors.

3 Summary Budget Position

- 3.1 The table below summarises the current projected cash limit budget position for 2015/16 as at the end of December. An underspend of £1.916m is projected made up of an underspend on corporate budgets of £2.908m partly offset by a directorate overspend of £0.992m.

	Revised Budget	Forecast Outturn	Forecast variance
	£,000	£,000	£,000
Total Available Resources	(530,845)	(530,699)	146
Total Corporate Budgets	110,709	107,655	(3,054)
Directorate Budgets			
Children and Families	262,233	266,188	3,955
Corporate Core	48,264	43,372	(4,892)
Growth and Neighbourhood	109,639	111,568	1,929
Total Directorate Budgets	420,136	421,128	992
Total Use of Resources	530,845	528,783	(2,062)
Total forecast over / (under) spend	0	(1,916)	(1,916)

Resources Available

4. Total Available Resources overall position

- 4.1 The overall forecast against resources is an underachievement of £146k.

4.2 There is an in year reduction to the Public Health Grant of £3.3m which is offset by some one-off in year savings on public health reducing the shortfall to £2.182m and dividends are £241k lower than budgeted for.

4.3 These shortfalls are partially offset by the following:

- Estimated additional S31 Business Rates grants of £1.143m to be transferred to the Business Rates reserve.
- £0.774m of additional corporate grants. These include Education Services Grant (£210k), and additional grants received by Revenue and Benefits not required by the service including £244k New Burdens Funding and a new Fraud and Error Reduction Incentive Scheme (FERIS) grant of £320k awarded due to success in reducing fraud.
- Unbudgeted fortuitous income is £360k and predominately relates to Business Rates rebates received for MCC properties; it is proposed this is also transferred to the business rates reserve.

5. Business Rates and Council Tax

5.1 Council Tax – The budget includes a £3.530m surplus brought forward from 2014/15 which was a result of improved collection and reduced bad debts.

5.2 At the end of December, 74.13% of 2015/16 Council Tax had been collected compared to 73.8% at the same time last year. £5.45 million of arrears has been collected compared to £4.73 million at the end of December last year.

5.3 The business rates position brought forward from 2014/15 was a deficit of £27.172m against the budgeted local business rate share. As previously reported this related to the need to increase the level of provision for unresolved appeals. This has been funded by safety net grant from the CLG which was accounted for in 2013/14 and credited to a reserve to offset the deficit in 2014/15 and 2015/16.

5.4 Business Rates collection is 78.72%, 0.35% behind last year. Whilst collection rates are slightly behind last year the continued volatility in the position for appeals means that it is very difficult to predict what the position for the year will be with any accuracy.

5.5 In addition, more businesses are switching to paying over twelve months (which reduces the comparative collection rate at this time of year).

5.6 Any variance on performance against that budgeted will not impact on the 2015/16 position as it will form part of the Collection Fund surplus or deficit built into the 2016/17 position.

6. Grants

6.1 Greater Manchester was allocated £12.4m of Transformation Challenge Award (TCA) funding in April 2015. Of this £785k was allocated to Manchester for investment in public service reform that would reduce the future demand for services. A proposal to use £115k for investment in Early

Help Hubs which are a critical part of the Early Help Strategy improving the outcomes for children and reducing the demand for children's services was reported to the last Executive. Recommendations are now being made for £482k as set out below, leaving £161k in the TCA fund which can be used for future reform priorities as the programmes develop.

- 6.2 Further recommendations for TCA investment totalling £482k are as follows:
- £30k Independent Workplace Audit on behalf of the Work and Skills board and the Health and Wellbeing board
 - £120k Testing new pathways in respect of Homelessness and Tenancy readiness
 - £121k iBase development
 - £110k Strength based conversations for c2,000 staff and intensive training for c70 key workers
 - £53k Integrated Neighbourhood Management Design Lead for 12 months
 - £48k Health and Social Care Estates

Planned Use of Resources

7 Corporate and Cross Cutting Budgets

7.1 A net underspend of £3.1m is forecast relating to the following.

- Budgets to be Allocated (£4.9m underspend) - this mainly relates to the release of funding held for inflation. This leaves £253k to cover expected inflation claims from Homecare and street lighting.
- Contingency (£560k underspend) – this relates to £360k held for increases to the waste levy and £200k to Support Enhanced access to ICT which will not be required this year.
- An underspend on historic pension liabilities of £261k.

7.2 These are partly offset by additional costs as follows:

- There is an additional £1.5m transfer to Business Rates reserve from additional grants received and fortuitous income from business rates rebates.
- An estimated net adjustment of £560k is required following a review of provisions based on information from Legal Services on the number of outstanding claims and historic average costs.
- Emergency homelessness costs, currently estimated at £500k which are being met corporately.

Directorate Requirements

8 Children and Families

8.1 Children and Families are projecting an overspend of £3.955m after taking account of planned actions from the Learning Disabilities savings programme and the introduction of further mitigation proposals on the Older People care budget to offset pressures on residential and nursing.

- 8.2 **Children's Safeguarding** - The forecast over spend is **£2.743m** which is due to the proposed timing of the draw down of funding from the Looked After Children (LAC) investment reserve and other pressures which include additional costs relating to the Leaving Care contract, additional social work costs, increased numbers of people with no recourse to public funds requiring support and an increase in youth offending remand placements.
- 8.3 The overall number of looked after children is 1,254 a decrease from 1,268 in November. The strategy has been successful in reducing the number of external residential placements but there are still a higher number of external foster care placements than planned for.
- 8.4 The LAC reserve of £14.1m was established as part of the 2015/16 budget process to support the improvement of services which protect the most vulnerable children and to reduce the need for safeguarding by tackling complex problems which leaves some families dependent on targeted services. The purpose of the investment programme is to invest in new working arrangements, evidence based practice and capacity to: improve the consistency and quality of social work practice; reduce the number of looked after children over four years by c400 and to shift reliance from independent foster care agencies to an expanded in-house family placement service for c300 placements.
- 8.5 The other budget pressures include:
- A higher number of Temporary and Connected persons resulting in a projected overspend of £215k and of Special Guardianship Order's with a projected overspend is £276k.
 - An increase in the number of leaving care placements, including for the Staying Put scheme and supported lodgings resulting in an overspend of £234k. The Leaving Care contract is overspending by £442k due to an unachieved contract saving
 - Overall there is an overspend of £172k for people with No Recourse to Public Funds. This includes a pressure on the budgets to support children of £746k and an underspend on support for adults of £574k.
- 8.6 **Adult Care Services** has a projected overspend of **£1.849m** after taking into account the delivering of planned savings and other actions to manage the budget. The main issues are as follows:
- Care budgets have a reported projected overspend of £69k after the use of £1.271m funding from the Better Care Fund and £0.7m available from additional Care Act funding in this financial year to support placement costs. The overall number of placements has increased this month, particularly in the areas of elderly mental health and elderly learning disability.
 - Services for people with learning disabilities are projected to overspend by £852k after an additional allocation of £350k from the Better Care Fund. Work to reduce the overspend is continuing and the position is monitored weekly by the Learning Disability board.
 - The £590k overspend on services for people with Mental Health needs includes £490k from the full year effect of placements made in 2014/15.

There has been a further increase in the number of older people with mental health needs requiring care and support. Investment monies of £400k have been allocated to cover the increase in client numbers.

- There is an anticipated overspend on social care services provided by the Council of £477k. A budget recovery plan is in place which has included reviewing shift and rota patterns and non staffing related budgets.
- There is a projected overspend on Homelessness services of £212k. Bed and breakfast numbers have increased, and the opening of new, temporary accommodation primarily aimed at rough sleepers has had no impact on reducing the overall numbers that need support.
- These are partially offset by underspends in commissioning (£290k) and Safeguarding (£211k) and other minor variances.

8.7 **Public Health** are forecasting a balanced budget on the basis all providers accept revised contracts in line with agreed savings.

8.8 There is an overspend of **£380k** on **Core and Back Office** relating to the following:

- There are historic budget pressures of £570k across the directorate which are being addressed in the budget proposals for 2016/17.
- Additional costs of £226k arising from changes to the senior management structure and the recruitment of the new Independent Chair of Children's Improvement Board.
- Business Support is forecast to underspend by £39k which includes a workforce overspend of £83k due to the revised timing of the restructure, offset from underspends in other areas including supplies and services and communications.
- Workforce training budgets are underspent by £123k
- Support Services are projecting an underspend of £196k –due in the main, to the *Grow Your Own Social Work* training ending and staff savings.
- Other small underspends totalling £58k

8.9 **Education and Skills** – There is a forecast of £17k underspend due to a Quality Assurance and Early Years underspend of £124k partly offset by an increase in Young Carers commissions and an overspend on Schools Organisation and Planning.

8.10 The projection for the ring fenced **Dedicated School Grant** at year end is an overspend of £259k. The Schools Block has a predicted overspend of £1.463m as a result of a full review of projected costs for the removal of temporary units from school sites being undertaken, and pressures remain in the budgets for costs at Private Finance Initiative (PFI) schools which cannot be increased year on year due to Department for Education constraints, despite inflationary cost increases. This is offset by a £1.048m predicted underspend in the Early Years Block and a £156k underspend in the High Needs Block.

8.11 The overspend is offset in part by uncommitted Investment and Care Act funding set aside of £1m.

9 Corporate Core

9.1 The Corporate Core is forecasting an underspend of £4.892m. This is made up of underspends in Corporate Services of £3.972m and Chief Executives of £0.92m.

9.2 **Corporate Services** underspend of £3.972m is made up of the following variances:

- Business Units is forecasting an underspend of £1.624m due to increased income from school meals, contracts, bereavements and bus lanes, reduced costs in a Parking joint venture and funding some Invest to Save schemes.
- Revenue and Benefits are forecasting a £0.695m underspend due to additional benefit subsidy income offset by increased administration costs.
- Shared Service Centre – A £316k underspend is projected due to a number of vacancies being held in advance of future saving requirements.
- Financial Management is forecasting an underspend of £0.871m due to a combination of staff savings as a result of ongoing vacancies and reduced running expenditure.
- The remaining services are underspending by £466k predominately due to staff savings.

9.3 **Chief Executive's** is projecting an underspend of £0.92m due to:

- Information and Communication Technology (ICT) is £260k underspend due to increased staffing costs offset by contract savings;
- Democratic and Statutory Services have forecasted an overspend of £348k arising from increased Coroners costs due to high profile cases, and overspends in Electoral Services; offset in part by higher than forecast registrars fee income and other miscellaneous savings;
- Legal is projecting an underspend of £261k due to savings against staffing budgets and increased income;
- HR/OD has forecast an underspend of £436k from a combination of staffing underspends and higher than forecast Agency Client Group fee income, net of planned investment
- There are other staff savings forecasted totalling £311k in PRI, Reform and Innovation, Executive and Communications.

10 Growth and Neighbourhoods

10.1 The overall budget for Growth and Neighbourhoods is forecast to be overspent by £1.929m. The major variances are:

- **Neighbourhoods** is projecting an overspend of £3.454m with the most significant variances relating to overspends in respect of the Waste Collection Contract and the Waste Levy (£2.800m) and highways reactive maintenance (£0.750m);

- A reduced drawdown from reserves of £500k; the related spend has been funded from within the Council's overall existing budget provision;
- **Planning, Building Control and Licensing** is forecasting to underspend by £1.550m due to additional fee income.
- **Strategic Development** is forecasting an underspend of £475k as a result of higher than anticipated income from the Investment Estate (£465k) and staffing underspends (£200k); offset, in part, by unachieved savings against facilities management costs .

11 Housing Revenue Account

11.1 The HRA is currently forecasting a favourable variance of £1.059m.

11.2 The following favourable variances are forecast:

- Revenue Contribution to Capital (£1.665m) - due to a rephasing of the 2015/16 capital projects
- Contribution to bad debts provision (£0.579m) – impact of welfare reform changes not as significant as anticipated
- Housing rents (£234k) – increased income
- Supervision and Management (£233k) - due to a reduction in the spend on the Private Finance Initiative (PFI) schemes
- Depreciation (£181k) - due to inflation being less than was anticipated when the forecasts were produced.

11.3 These are offset by the following adverse variances:

- PFI contractor payments (£1.770m) – there are currently a number of potential change notices and a dispute that could impact on expenditure during the year.
- Other minor over and underspends netting off to £63k adverse.

12 Adult Social Care Reserve

12.1 Due to the risks in the adult social care budgets going forwards it is proposed that some of the flexibility in this year's position is used to establish a reserve of c£2m to support the risks these budgets are facing in 2016/17.

12.2 Social care budgets nationally as well as within Greater Manchester and Manchester are facing significant pressures which have not been addressed in the Provisional Financial Settlement. The additional funding that will be raised through increasing the council tax by 2% will not be sufficient to meet all of these costs and the additional Better Care Funding announced only starts to become available in 2017/18.

12.3 It is therefore recommended that the projected revenue underspend of c£2m is used to establish a Social Care reserve to meet these potential budget pressures in 2017/18.

13 Budget Virements

- 13.1 The revised budget for 2015/16 takes into account the following proposed virements:
- Centralisation of facilities management - £3.487m - Town Hall Budget vired from Business Units to Corporate Landlord (£1.234m) and Corporate Facilities Management (£2.253m)
 - Early Years staffing - £1.530m - Following the development of Early Years service delivery and the decision by the Council to move away from direct delivery of childcare, the budgets now need to be transferred from employees to non-employees to meet contractual arrangements.
 - Transfer of £350k from Better Care Fund to support Learning Disability related spend
 - Transfer of £0.700m from Care Act funding to support Residential and Nursing Care budgets.
 - The restructure of Growth and Neighbourhoods. This reflects the transformational programme to further integrate existing services to ensure a more focused and efficient response to local needs and issues as set out in the personnel committee report of 24 March 2015.

14 Prudential Borrowing Indicators

- 14.1 As part of the Prudential Borrowing regime, the Council sets a range of indicators designed to ensure that the borrowing it enters into is sustainable. These indicators are monitored regularly to ensure that they are not breached and are reported in **Appendix 1**.

15 Conclusion

- 15.1 The Global Revenue Budget Monitoring presents information based on projections as at the end of December 2015.

Appendix 1

Prudential Borrowing Indicators as at e of December 2015

No	Prudential Indicator	Target	Actual as at end of December 2015	Target Breached	Y/N	
1	Ratio of Financing Costs to Net Revenue Stream	Non – HRA	10%	9.63%	N	
		HRA	4%	3.81%	N	
2	Capital Expenditure		£m	£m		
		Non – HRA	291	227	N	
		HRA	<u>28</u>	<u>27</u>	N	
		Total	319	254	N	
3	Capital Financing Requirements		£m	£m		
		Non – HRA	920	857	N	
		HRA	<u>240</u>	<u>236</u>	N	
		Total	1160	1093	N	
4	Authorised Limits for External Debt		£m	£m		
		Borrowing	1,045.8	549.2	N	
		Other Long Term Liabilities	<u>216</u>	<u>161.2</u>	N	
		Total	1,261.8	710.4	N	
5	Operational Boundaries for External Debt					
		Borrowing	819.7	549.2	N	
		Other Long Term Liabilities	<u>216</u>	<u>161.2</u>	N	
		Total	1,035.7	710.4	N	
6	Upper Limits for Fixed Interest Rate Exposures	Net Borrowing at Fixed Rates as a percentage of Total Net Borrowing	91%	72%	N	
7	Upper Limits for Variable Interest Rate Exposures	Net Borrowing at Variable Rates as a percentage of Total Net Borrowing	87%	28%	N	
			Lower Limit			
8	Maturity Structure of Borrowing	under 12 months	0%	0%	0%	N
		12 months and within 24 months	0%	41%	41%	N
		24 months and within 5 years	10%	50%	50%	N
		5 years and within 10 years	0%	6%	6%	N
		10 years and above	0%	3%	3%	N
9	Upper Limits for Principle Sums Invested for over 364 days		£0	£0	£0	