

**Manchester City Council  
Report for Resolution**

**Report to:** Executive – 1 June 2016  
**Subject:** Revenue Budget Monitoring 2015/16 – Outturn Report  
**Report of:** City Treasurer

**Summary**

The report outlines for the Executive the final outturn position for 2015/16. It includes details of service budget variances and requests for carry forward of under-spends. The report also seeks approval for transfers to provisions to meet future potential costs not previously approved by Executive.

Subject to the approval of Executive, the proposed transfers to provisions will be included in the draft Annual Accounts to be approved by the City Treasurer at the end of June and to be reported to the Audit Committee on 14 July

**Recommendations**

The Executive is recommended to:

- 1 Note the outturn position for 2015/16 as shown in the table at paragraph 3;
- 2 Note the overall General Fund position for 2015/16 as outlined in section 10;
- 3 Note the Housing Revenue Account position for 2014/15 as outlined in section 12
- 4 Approve the requests for carry forward of underspends as identified in Section 9 and Appendix 1.
- 5 Approve the proposed transfers to provisions as per paragraph 5.3

**Wards Affected:** None directly

<b>Manchester Strategy outcomes</b>	<b>Summary of the contribution to the strategy</b>
A thriving and sustainable city: supporting a diverse and distinctive economy that creates jobs and opportunities	Not applicable
A highly skilled city: world class and home grown talent sustaining the city's economic success	Not applicable
A progressive and equitable city: making a positive contribution by unlocking the potential of our communities	Not applicable

A liveable and low carbon city: a destination of choice to live, visit, work	Not applicable
A connected city: world class infrastructure and connectivity to drive growth	Not applicable

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

- Equal Opportunities Policy
- Risk Management
- Legal Considerations

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### **Financial Consequences – Revenue**

Provision has been made for known liabilities, whilst maintaining reserves to meet significant future costs at a reasonable level. The level of General Fund balances will, be affected by any decision to carry forward underspends as identified in paragraph 9. 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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### **Contact Officers:**

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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 2015/16 as approved by Executive 13 February 2015

## 1 Introduction

- 1.1 This report presents the General Fund and Housing Revenue Account outturn for the financial year 2015/16. Members should note that the figures may be subject to change until the audit of the accounts is completed in September, however, it is not expected that any major amendments having an impact on the Council's overall revenue financial position for 2015/16 will emerge.

## 2 Summary Budget Information

- 2.1 This table shows the outturn position and highlights any under or overspends as at the end of March. The reported position is an underspend of £3.993m however carry forwards totalling £1.929m are recommended. If these are agreed the position is a net underspend of £2.064m.
- 2.2 This would enable the establishment of a £2m Adult Social Care Reserve as agreed at February Executive leaving a small underspend remaining of £64k
- 2.3 The table below summarises the position, taking account of the carry forward requests which are outlined in more detail in Appendix 1 of this report.

	Revised Budget	Outturn	Over/(under) spend	Carry Forward requests	Over/(under) spend after Carry forwards
	£,000	£,000	£,000	£,000	£,000
<b>Total Available Resources</b>	<b>(526,928)</b>	<b>(527,629)</b>	<b>(701)</b>	<b>0</b>	<b>(701)</b>
<b><u>Planned Use of Resources</u></b>					
<b>Total Corporate Budgets</b>	<b>108,934</b>	<b>105,742</b>	<b>(3,192)</b>	<b>139</b>	<b>(3,053)</b>
<b>Directorate Budgets</b>					
Children and Families	261,118	266,012	4,894	104	4,998
Corporate Core	48,916	44,093	(4,823)	121	(4,702)
Growth and Neighbourhood	109,583	109,411	(172)	1,565	1,393
<b>Total Directorate Budgets</b>	<b>419,617</b>	<b>419,516</b>	<b>(101)</b>	<b>1,790</b>	<b>1,689</b>
<b>Total Use of Resources</b>	<b>528,551</b>	<b>525,259</b>	<b>(3,292)</b>	<b>1,929</b>	<b>(1,363)</b>
<b>Transfer from/( to) General Fund Reserve</b>	<b>1,623</b>	<b>(2,370)</b>	<b>(3,993)</b>	<b>1,929</b>	<b>(2,064)</b>
Establish Social Care Reserve	0	2,000	2,000		2,000
<b>Transfer from/ (to) General Fund Reserve</b>	<b>1,623</b>	<b>(370)</b>	<b>(1,993)</b>	<b>1,929</b>	<b>(64)</b>

### **3 Available Resources**

- 3.1 Available resources are £0.701m higher than budgeted for. This relates to:
- £0.918m additional corporate grants including Travel bus passes (£52k), Education Services Grant (£248k), and additional grants received by Revenues and Benefits not required by the service including £298k New Burdens Funding and Fraud and Error Reduction Incentive scheme (FERIS) grant of £320k;
  - additional Business Rates grants of £1.401m, which will be transferred to the Business Rates reserve;
  - fortuitous income of £366k, mainly relating to Business Rates rebates for Council properties. This will be transferred to the business rates reserve;
  - higher than budgeted dividends of £198k and;
  - reduced income from the Public Health Grant following the in year reduction of £3.3m by central government. This has been partly offset by one-off savings in public health budgets leaving a shortfall of c£2.182m.

### **4 Corporate Budgets**

- 4.1 The overall underspend is £3.192m which reduces to £3.053m after allowing a carry forward of £139k of the £500k budget provision identified for homelessness.
- 4.2 The reasons for the underspend are:
- budgets to be Allocated - £4.610m underspend which mainly relates to the release of funding held for inflation;
  - contingency (£0.560m underspend) – this relates to £360k held for increases to the waste levy and £200k to support enhanced access to ICT which was not be required in 2015/16;
  - an underspend on historic pension liabilities of £271k; and
  - a small underspend on the Magistrates Court loan charge and the Port Health authority levy's of £17k.
- 4.3 These are partly offset by the following:
- an additional £1.767m transfer to the Business Rates reserve as outlined in paragraph 4.1 above;
  - a net addition to provisions £438k is required following a review based on information from Legal Services on the number of outstanding claims and historic average costs of settling claims; and
  - an underachievement against the historic property rationalisation target of £200k, the majority of which will be achieved in 2016/17.

### **5 Children and Families**

- 5.1 The overall position is an overspend of £4.894m which increases to £4.998m after taking account of the two carry forward requests totalling £104k.

5.2 The **Children's Safeguarding** budget at the end of the year is overspent by £3.517m which mainly relates to the following:

- Although the number of looked after children has reduced, within that the numbers in external Foster care placements are 45 higher than that budgeted for resulting in an overspend of £675k and the numbers of Temporary Approved Connected Persons and Special Guardianships have increased leading to a further £542k overspend;
- costs for provision for those leaving care have also increased including for the Staying Put scheme and supported lodgings resulting in an overspend of £203k and the Leaving Care contract savings of £468k budgeted for 2015/16 will now be achieved when the contract is retendered in 2016/17;
- numbers of people with no recourse to public funds requiring support are continuing to increase leading to a £215k overspend.
- Youth Justice overspend of £375k primarily due to an increase in the number of offenders on LAC remand and the purchase of computer equipment, and;
- additional social work costs of £1.148m which mainly relates to providing the required social work capacity, including cover for maternity leave and other absences.

5.3 The overall Looked After Children numbers including Unaccompanied Asylum Seeking Children have decreased from 1,297 at the end of March 2015 to 1,236 at the end of March 2016 (4.7%). The Looked After Children (LAC) position is supported by a contribution of £2.9m from Dedicated Schools Grant.

5.4 **Adult Social Care** have a reported overspend of £1.136m. This mainly relates to the following:

- Assessment Care and support budgets are overspent by £426k. This relates to staff costs which had previously been offset by other budgets – this has been corrected in the 2016/17 budget;
- Budgets for care and support for people with learning disabilities are overspent by £1.163m. This is due to delays in achieving savings from contract negotiations and new models of provision and lower than anticipated Continuing Health Care income contributions towards the costs of placements with high levels of support required;
- other large overspends are in Mental Health (£0.788m) relating to an increase in residential care placements, Business Units for care provided by the local authority due to staffing pressures (£468k), and Homelessness (£309k) due to increasing numbers of rough sleepers and pressure on Bed and Breakfast accommodation;
- Care Services are underspent by £1.489m. This position is after the utilisation of £0.8m from the Better Care Fund and £0.7m from Care Act Funding to offset costs of residential and nursing placements as the number of those in placements has been higher than planned for most of the year. In addition there was a £471k contribution from the

Better Care Fund to support costs of supporting people in their own homes; and

- there were further underspends in Commissioning (£359k) which reflects vacant posts and savings in contracts and an underspend against Adult Safeguarding (£170k) which relates to DiDs (Deprivation of liberty in domestic settings) assessments and delays in notifications of court proceedings.

5.5 **Public Health:** There was an in year grant reduction of £3.3m of which £1.1m was offset by one off savings with the balance of £2.2m being met corporately. Budgets within the directorate have broken even.

5.6 **Education and Skills** have a small overall overspend of £54k. **Core and Back Office** costs are overspent £186k respectively due to historic cost pressures which have been addressed as part of the 2016/17 budget process.

## 6. Corporate Core

6.1 The Corporate Core has an underspend of £4.823m which becomes £4.702m after taking account of £121m carry forward requests. £4.136m relates to Corporate Services and £0.566m to Chief Executives.

6.2 The Corporate Services underspend of £4.136m mainly relates to:

- additional income and staff savings in Revenue and Benefits (£0.834m) and Shared Service Centre (£0.634m);
- staff savings and reduced running expenses in Financial Management (£0.813m);
- Business Units increased income from school meals, contracts, bereavements, building cleaning, parking and bus lanes partly offset by reduced income from markets net (£1.405m); and
- the remaining underspend is made up of smaller amounts in Procurement, Customer Services, Internal Audit and Corporate Items.

6.3 The Chief Executive's underspend of £0.687m reduces to £0.566m after taking into account requested carry forwards of £121k. The underspends mainly relate to staffing and increased income. These are offset by an overspend in Democratic and Statutory Services (£327k) predominantly due to increased Coroners costs and higher than forecast electoral staffing costs.

## 7. Growth and Neighbourhood's

7.1 The reported outturn position is an underspend of £172k. This is following the recommendation to defer the use of £700k CLG grant for waste, street cleaning and recycling and planned use of £500k Manchester International Festival Reserve to meet pressures in future years. In addition there are a number of specific carry forward requests totaling £1.565m which are set out in Appendix 1. After these adjustments the net position will be an overspend of £1.393m.

7.2 The £1.393m overspend is mostly made up of the following:

- **Neighbourhoods** has an overspend of £2.658m mainly due to Waste collection contact costs (£1m); the first year of new contract includes implementation costs which will fall out in years 2 and 3, Waste disposal costs (£1.3m) which is due to increased disposal of residual Waste due to population growth and recycling factors, and Highways maintenance overspend (£800k), these are offset by underspends in staffing and increased income.
- **Policy, Partnerships and Research** - £379k overspend: an underspend in project and commissioning budgets is offset by the deferral of the planned drawdown of the Manchester International Festival reserve.
- **Planning, Building Control and Licensing** is predicting an underspend of £1.599m. This is due to higher than budgeted income from planning fees reflecting the increase in activity in the City.
- **Capital Programmes team** – an overspend of £155k due to a reduction in overall fee income from that planned.

7.3 These are offset by other smaller variances which net to a £200k underspend

## 8 Carry Forward Requests

8.1 Requests received total £1.893m are recommend for consideration by Executive, these are summarised below by directorate and detailed in Appendix 1.

	£,000
Children and Families	104
Corporate Core	121
Growth and Neighbourhood	1,565
Corporate	139
	<b>1,929</b>

8.2 Approval to carry forward underspends will be a call on the General Fund Reserve balance in 2016/17.

## 9 General Fund Reserve position

9.1 When the 2016/17 budget was set in February there was an assumed withdrawal from general fund reserve of £1.707m with a forecast balance on the reserve as at 31 March 2016 of £25.402m.

9.2 The actual outturn position is for a contribution to the General Reserve of £370k. This would leave a balance on the General Fund Reserve at 31 March 2016 of £27.479m. If the carry forward requests are approved this would be a first call on the reserve reducing it by £1.929m to £25.550m which is slightly higher than the budgeted level.

## 10 Adult Social Care Reserve

10.1 In the February 2016 Global Monitoring report to Executive it was proposed

that due to the volatility in adult social care budgets, some of the flexibility in this year's position is used to establish a reserve of £2m.

10.2 The reported outturn includes the establishment of this reserve.

## **11 Housing Revenue Account**

11.1 The Housing Revenue Account (HRA) is currently showing a favourable variance of £1.466m at year end which relates to the following:

- revenue contribution to capital ( £1.665m) - due to a rephasing of the 2015/16 capital projects;
- contribution to bad debts provision (£2.695m) – the impact of welfare reform changes was not as significant as anticipated. The provision has also been adjusted by £1.9m to reflect the transfer of relevant debt to the homelessness team. This is offset by the reallocation of rental income to homeless tenancies as set out below;
- Supervision and Management (£553k) - due to a reduction in spend on the Private Finance Initiative legal costs, Collyhurst regeneration and lower than anticipated recharges;
- depreciation (£180k) - due to inflation rate being less than was anticipated when the forecasts were produced; and
- communal heating income and expenditure (£260k) due to mild conditions

11.2 These are partly offset by the following overspends:

- An underachievement of £2.118m on housing rents mainly due to an adjustment to allocate rental income from previous years to homeless tenancies as above.
- PFI contractor payments overspend (£1.718m) – this was as a result of the purchase of the right to develop land at Miles Platting for £1.8m.
- Other minor over and underspends netting off to £51k adverse.

## **12 Prudential Indicators**

12.1 Prudential Indicators were introduced as part of the prudential `borrowing regime which replaced the former controls on borrowing through credit approvals. Each year the Council sets various indicators as part of the budget process and then monitors throughout the year that these indicators are not breached. The table at Appendix 2 indicates the final performance against the indicators.

## **13 Conclusion**

13.1 The overall underspend is £2.370m. Of this £2m has been set aside for an earmarked Adult Social Care Reserve resulting in a net contribution to the General Fund Reserve of £370k.

13.2 This contribution increases the balance to £27.479m on the General Fund Reserve as at 31 March 2016. Should the carry forward requests totaling



£1.929m be approved this balance will reduce to £25.550m, which represents a small increase on the balance as forecast during budget setting in February.

## **14 Recommendations**

14.1 The recommendations appear at the front of this report.

**Appendix 1 – 2015/16 Cash Limit Carry forward requests**

	<b>Amount £,000</b>	<b>Detail</b>
<b><u>Children and Families:</u></b>		
Safeguarding and Improvement	50	Safeguarding and Improvement Unit will be moving in the summer of 2016. Prior to this move the service will need to archive thousands of child protection case records, care records (historical records relating to children previously looked after) and historic high profile child protection enquiry records.
Special Guardianship Assessments	54	The budget was identified to fund additional payments to existing staff to carry out assessments, which are over and above their current agreed workloads and is outside their current working hours. There has been a backlog in completing these assessments, due to a lack of capacity within the Family Placement Teams. The aim of this work is to reduce the number of children in LAC placement.
<b><u>Corporate Core:</u></b>		
Performance Research and Intelligence - One system	40	Within PRI approval to appoint 5 temporary employees has been granted to help clear the backlog on the One system. Due to timing of the appointments an element of the cost will be incurred in 2016/17. The improved data quality will allow us to fulfil our statutory duties surrounding Education and Social care including completion of statutory returns.
HR/OD - Mi People system	81	The requested funding will support two key technological enhancements (organisational modelling and <b><i>mi people Self Service enhancements</i></b> ). Both activities have been identified within the ICT plan for the coming 12 months.
<b><u>Growth and Neighbourhoods:</u></b>		
Growth and Business Support	40	Carry forward is requested to enable the Growth Company to draw down the equivalent ERDF match funding for Manchester, effectively doubling the value of our funding in delivering outputs for Manchester.
Heaton Development Project	107	The project team has been established for a fixed period from 2015-2017. The carry forward of funding will contribute to the cost of running the project including salary costs for two posts.
Operational Property relocation funding	160	To meet the costs of relocation that will fall in 2016/17.
Space Hive	60	This is for a grant payment to Future Cities Catapult to manage a 'pledge fund' on behalf of Manchester City Council via the crowdfunding platform – Spacehive.
Somme 100 event	317	A national commemorative event will be held in Manchester on 1 July 2016. The funding for the event is largely through grant from Department for Culture, Media and Sport (Total £1.004m) of which £450k was applied by 31 March 16. This carry forward will meet costs in the agreed financial plan.
Public Realm Works to Piccadilly Gardens/Fountains	500	To contribute towards the costs of essential works which are now required

	<b>Amount £,000</b>	<b>Detail</b>
Rogue Landlords	60	The funding will create a team of enforcement officers that will target rogue landlords with a particular focus on private lets above shops in deprived areas. Due to the tight turnaround of this funding it hasn't been possible to complete the housing inspections by the 31st March 2016 as required by the funding condition although MCC are committed to completing the scheme in 2016/17. This means a carry forward of £50k is necessary from the overall service underspend in 2015/16 to cover this.
Ben Street	138	This is an ongoing programme where work has been progressing, however the programme is not complete and will be delivered in 2016/ 17. Executive Approval to proceed with the scheme was granted in March 2015, and officers suggested a time period of 18 months for delivery.
Year end surplus for three development projects at One Central Park, Space and Sharp	147	The projects are part of a strategy to grow the digital sector, with three separate assets/buildings which are let to tenants on short and long term leases including hiring stages and studios for television productions, adverts and photo shoots. The Council's strategy, as approved by Executive, is to establish a 100% MCC owned holding company, the progress of which will be reported to Executive on this in June. The carry forward surplus will support the next phase of development on these assets, which will be capital investment to remodel and refurbish One Central Park and part of The Sharp Project and feasibility studies and design work on the investment schemes.
Neighbourhood Investment Fund	36	Neighbourhood Investment Fund is approved by Neighbourhood co-ordinators in consultation with Ward Councillors. The grants are administered by Neighbourhood Officers. The grants are approved via a process of the neighbourhood officer and the members for the Ward agreeing for the monies to be allocated.  These are then monitored to ensure the money has been spent and any under spend is returned.
<b><u>Corporate:</u></b>		
Homelessness	139	£500k was identified corporately to fund the costs of overnight accommodation to alleviate the Homelessness problems in the city. £361k is estimated to be spent in 2015/16 with a request for the balance to be available in 2016/17.
<b><u>Total Reserve Requests</u></b>	<b>1,929</b>	

**APPENDIX 2**  
**Prudential Borrowing Indicators as at the end of March 2016**

No.	Prudential Indicator		Target		Actual as at end of March 2015	Target Breached Y/N
1	Ratio of Financing Costs to Net Revenue Stream	Non – HRA	10%		9.8%	N
		HRA	4%		3.9%	N
2	Capital Expenditure		<b>£m</b>			
		Non – HRA	291		221.2	N
		HRA	28		25.4	N
		Total	319		246.6	
3	Capital Financing Requirements		<b>£m</b>			
		Non – HRA	920		867.8	N
		HRA	240		221.4	N
		Total	1160		1,089.2	
4	Authorised Limits for External Debt		<b>£m</b>			
		Borrowing	1,045.8		544.3	N
		Other Long Term Liabilities	216		144.6	N
		Total	1,261.8		688.9	
5	Operational Boundaries for External Debt	Borrowing	819.7		544.3	N
		Other Long Term Liabilities	216		144.6	N
		Total	1,035.7		688.9	
6	Upper Limits for Fixed Interest Rate Exposures	Net Borrowing at Fixed Rates as a percentage of Total Net Borrowing	91%		59%	N
7	Upper Limits for Variable Interest Rate Exposures	Net Borrowing at Variable Rates as a percentage of Total Net Borrowing	87%		41%	N
8	Maturity Structure of Borrowing		Lower Limit	Upper Limit		
		under 12 months	0%	0%	0%	N
		12 months and within 24 months	0%	100%	35%	N
		24 months and within 5 years	10%	70%	60%	N
		5 years and within 10 years	0%	60%	1%	N
		10 years and above	0%	60%	4%	N
9	Upper Limits for Principle Sums Invested for over 364 days		£0		£0	N