

**Manchester City Council
Report for Resolution**

Report to: Executive – 13 December 2017

Subject: Global Revenue Budget Monitoring Report to 31 October 2017

Report of: City Treasurer

Summary

This report contains a summary of the Council's revenue budget and forecast outturn position for 2017/18, based on an assessment of income and expenditure to the end of October 2017 and financial profiling to 31 March 2018.

Recommendations

The Executive is asked to:

1. Note the contents of the report.
 2. To note the provisional use of the £12.917m Adult Social Care Grant as set out in paragraph 7.11 which will be recommended to the Manchester Health and Care Commissioning Board, in line with the arrangements as set out in the report on the Adult Social Care Reform Grant to Executive on 28 June 2017.
 3. Note the allocation of budget pressures as detailed in paragraph 12 which is in line with the process approved in the budget report to Executive on 8 February 2017.
 4. Approve the release of Contingency funds and budgets to be allocated, as detailed in paragraph 13
 5. Approve the use of reserves in addition to that already planned, as set out in paragraph 14.
 6. Approve the budget virements as detailed in paragraph 15.
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Wards Affected:

All

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

The report details a forecast net revenue overspend of £5.455m for 2017/18, based on the position as at the end of October 2017 and a projection of spend for the remainder of the financial year. Directorates will continue to seek opportunities to safely mitigate spend pressures.

With the likely scale of funding pressures and future resource reductions, it is important that the Council maintains a robust position on reserves and the capacity to address requirements that arise during the financial year. Requests to allocate funding to or from reserves in year are included within the report.

Financial Consequences – Capital

There are no specific capital consequences.

The revenue budget includes funding to meet the capital financing costs of the Council which may be affected as a result of changes in the capital programme.

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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.

- 8 February 2017, Executive, Suite of Budget Reports

1.0 Introduction

1.1 The purpose of this report is to provide the Executive with a summary of the Council's revenue budget and forecast outturn position for 2017/18, based on an assessment of income and expenditure to the end of October 2017 and forecast position to 31 March 2018.

2.0 Background

2.1 Budget monitoring information is integral to supporting robust management arrangements across the Council. Its purpose is to support effective decision making, including drawing attention to areas which need to be addressed through further management action. This is on an ongoing process and, as such, the position may change as action is taken to bring spend in line with the available budget.

2.2 The position is reviewed on a monthly basis by senior management and reported to individual Executive Members via the relevant Strategic Directors.

2.3 The reported position is set in the context of increased pressures on local services. These pressures, which are being seen to varying degrees across the country, relate predominantly to Children's Services and Adult Social Care.

2.4 The forecast overspend of £5.455m reflects further work carried out to address pressures, particularly, within Adult Services. This has seen the position improve since the last report to Executive in July 2017. Work will continue across all Directorates in an effort to improve the position further.

3.0 Summary Budget Position

3.1 The table below summarises the projected financial position for 2017/18 which is a forecast overspend of £5.455m.

	Revised Budget	Forecast Outturn	Forecast Variance P7
	£,000	£,000	£,000
Total Available Resources	(534,709)	(536,498)	(1,789)
Total Corporate Budgets	98,451	96,509	(1,942)
Directorate Budgets			
Children's Services	102,866	110,420	7,554
Adult Social Care	165,098	166,960	1,862
Adults - Health and Care System Related	(4,676)	(3,776)	900
Corporate Core	75,110	73,740	(1,370)
Growth and Neighbourhood Strategic Development	91,858	92,063	205
	6,002	6,037	35
Total Directorate Budgets	436,258	445,444	9,186
Total Use of Resources	534,709	541,953	7,244
Total forecast over / (under) spend	0	5,455	5,455

CORPORATE COSTS AND RESOURCES

4.0 Overall corporate resources and costs

- 4.1 The resources available to the City Council are £1.789m higher than originally budgeted mainly due previously reported increased dividends and additional income.
- 4.2 Corporate budgets are reporting an underspend of £1.942m, of which £1.5m relates to allocations for budget pressures set aside not being required this year. These include delivery of the Information and ICT strategy (£1m), recruitment in Commissioning and HR/OD staff which has been delayed (£225k), £100k held for enterprise licences and funding to support meeting the highways bridges backlog (£175k). In addition historic pension costs are forecast to underspend by £435k due to fewer recipients and lower than expected levies (£7k).

5.0 Business Rates and Council Tax

- 5.1 The council is responsible for the collection of local taxes (Council Tax and Business Rates). At the end of October, 57.26% of Council Tax had been collected. This is marginally lower than at the same point last year by 0.08%.
- 5.2 Business Rates collection is 61.12% as at the end of October, 0.01% behind the position at this time last year. Whilst collection rates are broadly in line with last year there remains continued volatility in the likely level of income from business rates due to the number of appeals received.
- 5.3 The income to be included in 2017/18 for these areas is fixed. Any variances will impact in the budget from 2018/19.

Directorate Requirements

6.0 Children's Services

- 6.1 The predicted overspend on Children's Services of £7.554m is mostly due to the numbers of Looked After Children placements in external residential and external foster care not reducing in line with the target reductions set in the budget. In a number of instances the average unit cost of placements is also higher than expected. Whilst placement numbers in external foster care have reduced, this not at the level originally envisaged, alongside this there has been a lower than expected increase in Manchester foster carers. This year the service has also seen additional pressures on the leaving care service with a significant increase in numbers and costs. The impact on the Children's Services budget is as follows:
- Spend on external residential placements is £2.875m over budget, with the number of placements now at 63, compared to the original budget assumption of 48 by October. The average unit costs are also 12% higher than budgeted due to increased complexity of need. The projection

includes a saving of £290k from an expected reduction in the number of placements by year end.

- The fostering budget is projected to overspend by £1.920m, with the level of external foster care placements at 434 being 54 above the available budget as at October. The financial projection includes savings of £0.5m to be achieved during 2017/18 by a planned and safe reduction to 384 placements by March 2018, a reduction of 50 placements. This is partially offset by internal foster care placements being 4 lower than the October budget placement numbers.
- The Special Guardianship Orders (SGOs) budget is forecast to overspend by £0.580m due to the number of children with SGOs being 423 compared to budget of 394 and unit costs being 11% higher, together with additional costs relating to 16 planned conversions. Whilst this is an overspend, it is a positive outcome for these children and young people who may have otherwise have been in a Looked After Children placement.
- The Leaving Care service forecasts an overspend of £1.605m largely due to an increase of 28 in the number of supported accommodation placements since April. Of the additional placements, 11 relate to the Council's commitment to ensure that no care leaver reaching the age of 18 moves into bed and breakfast accommodation; 5 relate to young people being at risk of becoming homeless at aged 18 in an emergency situation, and being placed in supported accommodation (these can include young people not formally looked after children as the Council has a responsibility to provide accommodation following the Southwark judgement, which states councils have a legal duty to support young people aged 16-18 in housing need); and the remaining 12 relate to new leaving care placements.

6.2 As previously reported there is a shortfall in funding due to changes from the budget assumptions around the funding available to support the Investment Fund of £1.297m, this is made up of a funding shortfall from the previous year and reduced health contributions. The position is partially offset by an underspend on targeted interventions of £408k.

6.3 There are £0.913m of overspends in other areas including premises and staffing costs within the family placement services, residual staffing costs from the closure of City Council operated children's homes and increased pressure on the emergency payments budget. These are offset by £1.228m underspends within staffing budgets and budgets for adoption allowances, commissioning budgets for new interventions and Free Travel. A summary of these underspends is shown in the table below:

Underspends	£'000
Education underspends	385
Reduced expenditure as a result of means testing for Adoption Allowances	332
Children's and Adolescent Mental Health Services staff vacancies	295
No recourse to public funds budget	100
Early Help workforce	80
Other	36
Total Underspends	1,228

- 6.4 The service has developed a Budget Delivery Plan for 2018/19 and 2019/20, which includes further work particularly around the future placement requirements for Looked after Children. The Budget Delivery Plan includes:
- Development of joint commissioning arrangements with the Clinical Commissioning Group;
 - A change in the approach to contracting and commissioning of Looked After Children's placements, including joint assessment, planning, commissioning and review with Clinical Commissioning Group; and further negotiation of procurements arrangements for external fostering and residential placements with providers.
 - Specific action plan to encourage take up of Special Guardianship Orders and Internal Fostering, including a review of internal fostering arrangements;
 - A review of agency workers deployment;
 - Development of arrangements for children leaving care taking account of new duties under the Children and Social Work Act 2017;
 - Recommissioning of specific contracts and
 - Review of demand and practice management through the Council's Early Help offer.
- 6.5 The Director of Children's Services remains committed to addressing the financial challenges and now chairs the Residential Placement Panel which is essential to ensure the appropriate and timely move on arrangements for children and young people who are currently in residential placements.
- 7.0 Adults Social Care and Public Health**
- 7.1 The projected overspend in 2017/18 is £1.862m which includes £1.848m for Homelessness. The latest position reflects the introduction of a Delivery Plan to address the position within Adult Social Care.

- 7.2 The projected outturn takes account of the deployment of Adult Social Care grant to address demand pressures and protect service delivery which continues to support hospital discharge. The main variations are set out below.
- 7.3 Learning Disability Service – The position assumes delivery of £0.500m of savings following the development of revised support plans and £0.649m from contract savings. The time taken to undertake the necessary preparation work means that it is likely to leave a £0.650m pressure. Additional social workers are now in post to undertake the work and 37 cases are actively under review. Early indications are likely reductions of 9 support plans by the end of March.
- 7.4 Mental Health Services has a £150k forecast overspend. The service is continuing to experience demand pressures, with client numbers increasing from 718 in May 2017 to 780 in October 2017. The cost pressure this increase is generating is being offset by the use of an allocation of demography funding as set aside in the approved budget.
- 7.5 In house services are forecasting an overspend of £0.625m due to additional staff related costs, including agency staffing to cover vacancies and ensure a safe service is delivered.
- 7.6 These overspends are offset by underspends in Care (£0.773m) due to the impact of new delivery models within Homecare and Residential and Nursing, and a review of the referral to assessment to placement process combined with a slowed growth in Homecare clients and complexity of packages. Other underspends include Care and Support (£100k), Commissioning (£200k), Safeguarding (£70k) and Back office (£53k) which are all due to vacant posts and assumptions around recruitment; and Public Health (£215k) due to holding vacant posts and non-essential spend on core budgets in order to mitigate potential in year contract pressures.
- 7.7 The homelessness service is forecasting an overspend of £1.848m, mainly arising from loss of income following the introduction of the flexible housing support grant which replaced the temporary accommodation management fee from 1 April. This includes a pressure of c£1.935m in this area is due to the baseline data and growth assumption used by Government not reflecting the significant increase which Manchester has seen in the numbers of those presenting as homeless.
- 7.8 **Adults Health and Care System Related**
- 7.9 A number of Learning Disability placements from the long stay facility are being assessed to determine the funding position and until this is resolved are included in the reported outturn. These total c£0.9m.

Adult Social Care Grant

- 7.10 The 2017 Spring Budget announced an additional £2bn for Adult Social Care. The City Council was allocated additional funding of £12.917m in 2017/18, £7.64m in 2018/19 and £3.78m in 2019/20. The grant is to be spent on Adult Social Care for the purposes of meeting adult social care needs, reducing pressures on the NHS and stabilising the social care provider market.
- 7.11 A report on the Adult Social Care Reform Grant to Manchester City Council's Executive on 28 June 2017 approved the allocation of the grant to Manchester Health and Care Commissioning (MHCC) partners. It also set out the principles which will guide decisions on the allocation of the grant, as part of the implementation of the Locality Plan previously approved by the Executive.
- 7.12 In line with these principles there is proposed deployment of £12.917m into a number of core areas which are set out below:
- Support to the ASC base budget to maintain capacity, factored into the forecasts (£2.479m) – relating to savings not achieved in year for residential, nursing and homecare (£1.596m) and a further shortfall of £0.883m which is proposed to be permanently offset from grant funding.
 - Capacity to meet demand requirements and support hospital discharge (£5.025m)
 - Support to mobilise and implement significant reforms at pace (£1.311m)
 - Structural capacity to strengthen the Adult Social Care service offer including additional social workers (£0.469m)
 - Investment in service reform and new models of care (£1.580m)
 - Other investments/demand requirements (£2.053m)

8.0 **Corporate Core**

- 8.1 The Corporate Core is forecasting an underspend of £1.370m. This is made up by underspends in Chief Executives £380k and Corporate Services £1.053m, offset by a small overspend on Highways of £63k.
- 8.2 Chief Executives are forecasting an underspend of £380k, this is mainly due to vacant posts, and has offset the cost pressures within the Coroners service (£255k).
- 8.3 The Corporate Services underspend is mainly due to staffing underspends across most service areas. This is due to the number of vacant posts within services, managers are working to recruit to vacancies, and the projection includes assumptions around dates when vacant posts will be filled.
- 8.4 The Highways Service is expecting a net overspend of £63k in the current financial year. There are forecast overspends in CCTV £33k, Manchester Contracts (the delivery arm of Highways) £0.717m due to reduced commercial activity income, and On Street advertising £0.700m due to slippage of the savings proposals. The procurement exercise for the on street advertising is to begin in January and will be concluded by April 2018.
- 8.5 The above overspends are partly offset by capitalisation of large scale patching works (£0.962m), lower claims against the accidents and trips

budget (£194k), street lighting electricity costs (£100k) and non-decriminalised parking (£131k) due to increased income and reduced maintenance costs.

9.0 **Growth and Neighbourhoods**

9.1 The overall budget for Growth and Neighbourhoods is forecast to be overspent by £205k. The major variances are:

9.2 Neighbourhoods Service – the overspend of £186k is made up of the following variances:

- Waste Collection, Disposal and Street Cleansing - £460k pressure as a result of waste collection and street cleaning due to service variations in the contracts.
- Parks, Leisure and Events - £180k overspend due to lower than forecast sponsorship income for events and less grant income available than expected for Leisure Services.
- Community Safety and Compliance - £389k underspend due to the full year effect of staffing vacancies across the service.
- Libraries, Galleries and Culture - £50k underspend due to employee vacancies across the service.
- Neighbourhood Area Teams - £15k underspend due to the delayed filling of vacancies.

9.3 Business Units – has a forecast overspend of £217k in the current financial year. There are budget pressures on Markets of £407k due to increased building maintenance costs and an expected reduction in income from Christmas Markets. This overspend is partially offset by staffing vacancies across the service and overachievement of income in other areas totalling £140k. School milk income is also expected to exceed expenditure by £50k.

9.4 Planning, Building Control, Licensing and Land Charges – is forecast to underspend by £180k. This is predominantly due to the over achievement of planning fee income and staffing underspends and a projected overspend on the Taxi Licensing service due to the cost of the service compared to expected income.

9.5 Work and Skills – has a £56k underspend on staffing.

9.6 Directorate Support – is forecasting a £38k overspend due to pressures on the Support Service budget.

10.0 **Strategic Development**

10.1 Strategic Development is forecasting an overspend of £35k, this is due additional costs in respect of accessing the land registry records.

10.2 Work is ongoing to review all budgets and forecast expenditure in order to ensure the service delivers a balanced budget.

11.0 **Housing Revenue Account (HRA)**

11.1 The HRA is a ring-fenced account and any surplus/deficit in year has to be managed from within the HRA reserve. The HRA is forecasting a favourable variance of £16.682m, this is largely due to slippage in the capital programme and reduced funding requirements of £17.724m. The other variation are in respect of the following:-

- The housing Arm's Length Management Organisation's (ALMO) Management fee has a projected overspend of £104k due to increased costs of repairs and maintenance.
- Depreciation - £786k overspend, this is due to a change in the calculation methodology.
- Housing Rents - £144k overspend – this is due to a reduction in the number of properties as a result of an increase in the number of right to buy properties.
- Other minor overspends of £8k.

12.0 **Budget Pressures and Growth**

12.1 The approval process for the allocation of budget pressures and growth was set out in the budget report to Executive. These were categorised in the budget report over Pressures, Pay, Activity and Growth with approval processes for each. The paragraphs below set out the latest position by the four categories identified.

12.2 **Pressures of £4.280m and Pay of £3.696m** have been allocated and included within the directorate budgets and forecasts as reported previously.

12.3 **Growth, £2.895m available**, £395k has been requested to date, an underspend of £400k is included in the corporate underspend relating to Highways Bridges backlog of inspections (£175k), recruitment of Commissioning Team (£170k) and HR/OD recruitment (£55k).

12.4 **Activity, £16.350m available, £7.777m has been allocated to date.** The remaining activity related pressures can be drawn down once there is evidence that the funding is required. The amounts available are as follows:

Activity	Amount £'000	Budget Allocated £'000	Balance Held Corporately £'000	Forecast Underspend £'000
Pressures on Social Care budgets - Additional Activity	3,995	0	3,995	0
Children's demographic pressures	415	0	415	0
Non Pay Inflation 1%	4,219	2,353	1,866	0
Contract Costs of Minimum Wage	4,562	4,177	385	0
Remand LAC	300	200	100	0
Waste Disposal costs	900	900	0	0
Markets income shortfall	100	0	100	0
ICT - To fund the delivery of the Information and ICT strategy	1,859	147	1,712	1,000
Total Activity	16,350	7,777	8,573	1,000

13.0 Release of Contingency Funds and budgets to be allocated

Contingency Funds

13.1 Requests for release of contingency funds and budgets to be allocated are as follows.

- Waste and Recycling - £1.5m from waste contingency – variations relating to the Biffa contract and non-levy disposal costs.
- Discretionary Housing Payment (DHP) - £0.5m from unallocated contingency – The DHP scheme is designed to provide an amount of funding to deal with anomalies and hardship in situations where normal Housing Benefit does not cover an individual's rent. Department of Work and Pension funding is not sufficient to assist vulnerable people to remain in their homes and prevent further homelessness. It is proposed the budget is topped up by £0.5m.
- Homelessness hubs - £100k from unallocated contingency - Work to develop the new homelessness hub is progressing. Surveys of the building are underway to determine what, if any, works are required. To provide the enhanced weather provision there will be anticipated costs of £100k. These are proposed to be met from contingency funding. The aim is to have the building operational by early January 2018.

Budgets to be Allocated

- Universal Access - £200k- The ICT project to enable all staff to access City Council systems has now commenced. The £200k is requested to cover the initial costs of delivering the proposed solution.

- Biffa Inflationary request- £344k from non pay inflation - The release of this allocation will enable the Council to meet the contractual inflationary cost increase of the new Waste Collection and Street Cleaning Contract.

14.0 **Requests for use of Reserves**

The proposed use of reserves (excluding those established from the carry forward of grants across financial years) in addition to that already planned, is as below:

- Managing volunteers across the Neighbourhood Services - £58k – the project aims to build on the MCR Volunteer Inspired Programme (MCRVIP) to develop a centralised platform that captures volunteering opportunities across all Neighbourhood Services. This is requested to be funded from release of ICT capital budget via the capital fund reserve.

15.0 **Budget Virements**

15.1 The following virements proposed for the revised budget 2017/18 require Executive approval:

- Highways to Core Capital programmes - £289k realignment of overhead recharges following the department split.

16.0 **Prudential Borrowing Indicators**

16.1 As part of the Prudential Borrowing requirements, 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**.

17.0 **Conclusion**

17.1 The Global Revenue Budget Monitoring position presents information based on projections as at the end of October 2017.

17.2 An overspend of £5.455m is forecast which reflects pressures being experienced nationally, particularly in Children's Social Care. There are Delivery Plans in place to address the position and action will be taken to ensure the delivery of the Medium Term Financial Plan is not undermined, this will be reflected in the reported position as at the end of December. All Directorates will continue to work towards greater efficiencies and accelerating savings where possible in order to support the overall financial position of the City Council.

18.0 **Recommendations**

18.1 The recommendations appear at the front of this report.

APPENDIX

PRUDENTIAL BORROWING INDICATORS AS AT END OF OCTOBER 2017

No	Prudential Indicator		Target	Actual as at end of October 2017	Target Breached Y/N	
1	Ratio of Financing Costs to Net Revenue Stream	Non – HRA	9%	8.3%	N	
		HRA	4%	4%	N	
2	Capital Expenditure		£m	£m		
		Non – HRA	451.0	379.8	N	
		HRA	42.1	21.9	N	
		Total	493.1	401.7	N	
3	Capital Financing Requirements		£m	£m		
		Non – HRA	1,267	1,070	N	
		HRA	269	269	N	
		Total	1,536	1,339	N	
4	Authorised Limits for External Debt		£m	£m		
		Borrowing	1,555.4	636.4	N	
		Other Long Term Liabilities	216	141.7	N	
		Total	1,771.4	778.1	N	
5	Operational Boundaries for External Debt		£m	£m		
		Borrowing	1,159.8	636.4	N	
		Other Long Term Liabilities	216	141.7	N	
		Total	1,375.8	778.1	N	
6	Upper Limits for Fixed Interest Rate Exposures	Net Borrowing at Fixed Rates as a percentage of Total Net Borrowing	96%	72%	N	
7	Upper Limits for Variable Interest Rate Exposures	Net Borrowing at Variable Rates as a percentage of Total Net Borrowing	92%	28%	N	
			<i>Lower Limit</i>	<i>Upper Limit</i>		
8	Maturity Structure of Borrowing	under 12 months	0%	70%	0%	N
		12 months and within 24 months	0%	100%	56%	N
		24 months and within 5 years	0%	80%	41%	N
		5 years and within 10 years	0%	70%	1%	N
		10 years and above	0%	70%	2%	N
9	Upper Limits for Principle Sums Invested for over 364 days		£0	£0	N	