

**Manchester City Council
Report for Resolution**

Report to: Executive – 7 February 2018

Subject: Global Revenue Budget Monitoring Report 2017/18

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 December 2017 and financial profiling to 31 March 2018.

Recommendations

The Executive is requested to:

1. Note the contents of the report.
 2. Note the allocation of the pressures and growth budget as detailed in paragraph 12, which is in line with the process approved in the budget report to Executive on 8 February 2017.
 3. Approve the release of budgets to be allocated, as detailed in paragraph 13
 4. Approve the use of reserves in addition to that already planned, as set out in paragraph 14.
 5. Approve the use of grants in addition to that already planned, 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	

Manchester Strategy outcomes	Summary of the contribution to the strategy
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 £4.595m for 2017/18, based on the position as at the end of December 2017 and a projection of spend for the remainder of the financial year. Directorates will continue to seek opportunities to safely mitigate spend pressures before year end.

With the likely scale of funding pressures and future resource reductions, it is important that the Council maintain 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 listed on the previous page.

- 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 December 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 that need to be addressed through further management action. This is 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 through the relevant Strategic Director.
- 2.3 The reported position is set in the context of increased demand and cost pressures on local services. Pressures which are being seen, to varying degrees, across the country, particularly in relation to Children's Services and Adult Social Care.
- 2.4 The forecast overspend of £4.595m reflects further work carried out to address pressures, particularly, within Adult Services. All Directorates will continue to work to improve the position.

3.0 Summary Budget Position

- 3.1 The table below summarises the projected financial position for 2017/18, which is a forecast overspend of 4.595m.

	Revised Budget	Forecast Outturn	Forecast variance
	£000	£000	£000
Total Available Resources	(547,626)	(551,852)	(4,226)
Total Corporate Budgets	94,965	94,523	(442)
Directorate Budgets			
Children's Services	103,333	112,267	8,934
Adult Social Care	177,022	179,067	2,045
Adults - Health and Care System Related	(3,643)	(2,743)	900
Corporate Core	77,959	75,990	(1,969)
Growth and Neighbourhoods	91,992	91,507	(485)
Strategic Development	5,998	5,836	(162)
Total Directorate Budgets	452,661	461,924	9,263
Total Use of Resources	547,626	556,447	8,821
Total forecast over / (under) spend	0	4,595	4,595

Corporate Costs and Resources

4.0 Overall corporate resources and costs

- 4.1 The resources available to the City Council are £4.226m higher than originally budgeted mainly due to increased dividends and additional income of £3.161m; of which £1.697m is a refund on the waste levy above budget following a review of projections by the Greater Manchester Waste Disposal Authority after receipt of December 2017 waste tonnage figures from Districts. The position also includes £0.522m use of reserves.
- 4.2 Corporate budgets are reporting an underspend of £442k, of which £1.897m relates to allocations for budget pressures set aside not being required this year. These include funding set aside to meet the requirements of the Information and ICT strategy (£1.397m), recruitment of Commissioning and HR/OD staff, which has been delayed (£225k), £100k held for enterprise licences and £175k for meeting the highways bridges backlog. Against the contingency budget there is a £200k underspend relating to funding no longer required this year for ICT universal access. In addition historical pension costs are forecast to underspend by £438k due to fewer recipients and levies are lower than expected by £7k. These underspends are partially offset by potential costs arising following a recent tribunal ruling and the possibility that care providers will be required to meet the cost of backdated payments for up to six years.

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 December, 74.26% of Council Tax had been collected. This is marginally lower than at the same point last year by 0.07%.
- 5.2 Business Rates collection is 79.4% as at the end of December, 0.75% ahead of the position at this time last year. Whilst collection rates are ahead of 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 be included within the budget for 2018/19.

Directorate Requirements

6.0 Children's Services

- 6.1 The predicted overspend on Children's Services of £8.934m is mostly due to the number of Looked After Children placements in external residential and external foster care not reducing in line with the target reductions set in the budget. Average unit cost of external residential placements is also higher than expected. Whilst placement numbers in external foster care have reduced, this is not at the level originally envisaged, alongside this there has been a lower than expected increase in Manchester foster carers. This year

has also seen additional pressures on the leaving care service with a significant increase in both numbers and costs. The impact on the Children's Services budget is as follows:

- Spend on external residential placements is £3.899m over budget, with the number of placements now at 67, compared to the original budget assumption of 48 by December 2017. The average unit costs are also 24% higher than budgeted due to increased complexity of need. The projection includes a saving of £194k from an expected reduction in the number of placements by year end.
- The fostering budget is projected to overspend by £2.118m, with the level of external foster care placements at 418 being 58 above the available budget as at December 2017. The financial projection includes saving 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. The external fostering overspend is partially offset by internal foster care placements being 10 placements lower, on average, than expected between April and October 2017.
- The Special Guardianship Orders (SGOs) budget is forecast to overspend by £0.672m due to the number of children with SGOs being 432 compared to budget of 397 and unit costs being 14% higher. 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 (LAC) placement. To date there have been 34 Order conversions from LAC placements and a further 21 have been assessed for conversion.
- The Leaving Care service forecasts an overspend of £1.831m largely due to an increase of 46 in the number of supported accommodation placements since April. The service is developing a commissioning proposal with Strategic Housing that seeks to provide an additional supply of housing for young people living independently. The service is also looking to ensure early intervention is undertaken, before placements are escalated to supported accommodation.

6.2 As previously reported there is a base funding shortfall in the Investment Fund of £1.297m, this is made up of a shortfall from the previous year and reduced health contributions. The position is partially offset by an underspend on targeted interventions of £387k.

6.3 There are overspends of £1.007m in other areas including premises and staffing costs within the family placement services, residual staffing costs following the closure of City Council operated children's homes and increased pressure on the emergency payments budget. These are offset by £1.503m underspends within budgets for staffing, adoption allowances, commissioning of new interventions, Early Help, Children's Social Work and the Free Travel budget.

- 6.4 The service has developed a Budget Delivery Plan for 2018/19 and 2019/20, which includes further work 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 the Clinical Commissioning Group (CCG); and further negotiation of procurements arrangements for external fostering and residential placements with providers.
 - A re-balancing of fostering provision, between external and Manchester (internal) Fostering. The service is aiming to increase take up of Special Guardianship Orders and Manchester Fostering, including a review of internal fostering arrangements;
 - A review of the deployment of agency workers;
 - 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 on a monthly basis, which is essential to ensure appropriate, safe 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 £2.045m which includes £1.888m for Homelessness services. The position reflects progress on the delivery plan agreed to address the overspend within the Adult Social Care budget and takes account of the deployment of Adult Social Care grant to address demand pressures and protect service delivery to support hospital discharge.
- 7.2 The Learning Disability service has a forecast overspend of £0.600m. Additional social workers are now in post to undertake reviews of high cost placements. The position includes the expected impact from the development of revised support plans and contract negotiations as a result of these reviews.
- 7.3 The Mental Health service has a forecast overspend of £200k from continuing increased need, with client numbers rising from 718 in May 2017 to 782 in December 2017. The cost implications of this increase have been reduced by deploying additional funding set aside in the 2017/18 approved budget to meet increased need.
- 7.4 In house services are forecasted to overspend by £0.850m due to additional staff related costs, including agency staff, to cover vacancies and ensure a safe service is delivered in line with Care Quality Commission requirements.

- 7.5 The Residential and Nursing budgets are projected to have an overspend of £34k, although the impact of avoiding delayed transfers of care has significantly increased the number of placements, which are now 109 above the available budget. There is a total of 1,019 people in residential and nursing homes, plus capacity in new extra-care schemes being utilised. The position is offset by deploying funding in the 2017/18 approved budget for increased need and Adult Social Care Grant of £2.684m, of which £0.959m is non-recurrent.
- 7.6 Other underspends include Commissioning (£300k), Safeguarding (£60k) and Back office (£39k) which are all due to vacant posts and assumptions around recruitment; and Public Health (£275k) due to holding vacant posts and non-essential spend on core budgets in order to mitigate potential in year contract pressures. Other care budgets besides those highlighted above have a combined underspend of £85k due to a lower level of commissioning.
- 7.7 The Homelessness service is forecasting an overspend of £1.888m, 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 which 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. The pressure is off-set, in part, by underspends on staffing due to delays in recruitment.

Adults Health and Care System Related

- 7.8 Adults Health and Care System Related - A number of Learning Disability placements from long stay facilities are being assessed to determine the funding position and until this is resolved are included in the reported outturn. These total c£0.900m.

8.0 Corporate Core

- 8.1 The Corporate Core is forecasting an underspend of £1.969m. This is made up by underspends in Chief Executive's £638k, Corporate Services £1.325m, Highways £6k.
- 8.2 Chief Executive's are forecasting an underspend of £638k, this is mainly due to vacant posts and additional income, and has offset cost pressures within the Coroner's service (£457k).
- 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 minor net underspend of £6k in the current financial year. There are forecast overspends for Manchester Contracts (Highways delivery services) of £1.159m due to reduced income,

and *On Street* advertising of £0.700m due to slippage against the savings proposals. Public Realm is overspent by £78k due to additional security measures across the City.

- 8.5 The above overspends are offset by the capitalisation of large scale patching works (£1.2m), additional fee income relating to the Cycle City Ambition Grant (£239k), lower claims against the accidents and trips budget (£272k), 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 underspent by £485k. The major variances are:

- 9.2 Neighbourhoods Service – the underspend of £72k is made up of the following variances:

- Waste Collection, Disposal and Street Cleansing - £375k pressure as a result of waste collection and street cleaning requirements.
- 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 - £407k underspend due to the full year effect of staffing vacancies across the service.
- Libraries, Galleries and Culture - £150k underspend due to employee vacancies across the service and reduction of expenditure on library equipment.
- Neighbourhood Area Teams - £15k underspend due to the delayed filling of vacancies.

- 9.3 Business Units – has a forecast underspend of £100k in the current financial year. There are budget pressures on Markets of £143k mainly due to increased costs of health and safety associated with construction and design management on the Christmas Markets. This overspend is offset by staffing vacancies across the service and overachievement of income in other areas totalling £243k.

- 9.4 Planning, Building Control, Licensing and Land Charges – is forecast to underspend by £194k. 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 £95k underspend mainly on staffing.

- 9.6 Directorate Support – is forecasting a small £24k underspend due to lower than forecast running costs.

10.0 Strategic Development

- 10.1 Strategic Development is forecasting an underspend of £162k. This is made up of an underspend of £200k on Facilities, due to savings on Repairs and Maintenance, Security, Housekeeping and Management/Support offset by an overspend of £38k in Housing and Residential Growth arising from additional costs in respect of accessing the land registry records.

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 £18.515m; this is largely due to slippage in the capital programme and reduced funding requirements of £19.181m. The other variations 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 - £826k overspend, this is due to a change in factors, the revaluation of assets and their useful life, which affects the calculation.
 - Housing Rents - £104k under achievement of income – an increase in the number of tenants exercising their right to buy has led to a reduction in rental income.
 - PFI Contractor payments - £280k underspend. This is mainly due to Brunswick unitary charge savings and Capital Contributions (£557k) offset by Brunswick anticipated deductions and change notices (£110k) and higher than forecast inflation for Grove and Miles Platting unitary charges (£175k).
 - Office Rental Income - £90k underspend – This is largely as a result of the review of office rents.

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 £3.520m 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, £2.495m has been allocated.** An underspend of £400k is included in the corporate underspend relating to Highways Bridges inspections (£175k), and delays in staff recruitment for the Commissioning Team (£170k) and HR/OD (£55k).
- 12.4 **Activity, £16.350m available, £8.563m has been allocated to date.** The remaining activity related cost pressures can be drawn down once there is

evidence that the funding is required. The amounts available are shown on the following table:

Activity	Amount £000	Budget Allocated £000	Balance Held Corporately £000	Forecast Underspend £000
Pressures on Social Care budgets -	3,995	-	3,995	-
Additional Activity				
Children's demographic pressures	415	415	-	-
Non Pay Inflation 1%	4,219	2,394	1,825	-
Contract Costs of				
Minimum Wage	4,562	4,177	385	-
Remand LAC	300	200	100	-
Waste Disposal costs	900	900	--	-
Markets income shortfall	100	100	-	-
ICT - To fund the delivery of the				
Information and ICT strategy	1,859	377	1,482	1,397
Total Activity	16,350	8,563	7,787	1,397

13.0 Release of budgets to be allocated

13.1 Requests for release of budgets to be allocated are as follows:

- Home to school transport - £415k. The SEND population has increased significantly over the last few years. The home to school transport service request is reflective of the increase in passenger numbers.
- Christmas Markets - £100k. There are significant increased pressures on the Christmas Markets due to the need to adhere to all Health and Safety requirements operated under a Construction and Design Management approach.
- Highway Structure Bridge Inspections - £100k – In 2016/17 MCC commissioned consultants to carry out inspections of all MCC bridge structures. This will fund MCC to carry out an urgent 12-month programme of works to inspect the structures listed as 'high priority'.
- Highway reactive maintenance - £2m. Over the last few years, investment on the highway has been insufficient to maintain the asset in an acceptable state. The funding will maintain the highway networks good condition.

14.0 Requests for use of Reserves

14.1 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:

- Behavioural Insights Unit work on Trusted Assessors for Health and Social Care - £30k – BIT: North has a 2-year programme of work with GMCA to embed behavioural impact across Greater Manchester by applying behavioural science to tackle a range of priority problems in public policy and public services. This is requested to be funded from the Transformation Reserve.
- Evaluation of Health and Social Care Transformation Funding - £31k in 2017/18 and £100,000 in 2018/19. The total £131k investment into the evaluation work into transformation investments made into Health and Social Care services will ensure that the evaluation can begin promptly, by providing immediate capacity and technical expertise to support the Manchester's Performance and Evaluation workstream.
- Online HMO applications - £72k. Streamlining the current licensing application process would enable efficiencies with licences being processed and issued more quickly. This is requested to be funded from the Licensing Reserve.
- Capacity Grid - £187k. To engage with 'Capacity Grid' to identify domestic and commercial properties and ensure they are being held liable for Council Tax and Business Rates is being collected. This is requested to be funded from the Business Rates reserve.
- Food poverty scheme - £100k. Each of the 32 wards will be allocated £3k which could be used as a single award or for a number of smaller awards. This is requested to be funded from the Business Rates reserve.

15.0 Grants

15.1 Notification has been received in relation to a specific external grant, the use of which was not confirmed as part of the 2017/18 budget setting process and therefore has been considered through the Revenue Gateway process in year.

- Centenary Cities Funding - £370k – The proposal's aim is to deliver the following:
 - Some Women - awareness raising of equality issues and celebrating diversity
 - Statue of Emeline Pankhurst
 - Vote 100 - awareness raising; greater participation and footfall at Manchester events, with associated visitor revenue benefits; promote community-led activity and in doing so, promote the principles of Our Manchester; promote partnerships

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 December 2017.
- 17.2 An overspend of £4.595m is forecast which reflects pressures being experienced nationally, particularly in Children's Social Care. There are Delivery Plans in place to mitigate demand and cost pressures where possible and to ensure the delivery of the Medium Term Financial Plan is not undermined. 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. Currently, it is considered that the position may be able to improve by a further £1.5m, however, the final position will be influenced by the demand activity within the final quarter.

18.0 Recommendations

- 18.1 The recommendations appear at the front of this report.

APPENDIX

PRUDENTIAL BORROWING INDICATORS AS AT END OF DECEMBER 2017

No	Prudential Indicator		Target		Actual as at end of December 2017	Target Breached Y/N
	Ratio of Financing Costs to Net Revenue Stream	Non – HRA	9%		8.1%	N
		HRA	4%		3.95%	N
2	Capital Expenditure		£m	£m		
		Non – HRA	451.0	346.4	N	
		HRA	42.1	19.5	N	
		Total	493.1	365.9	N	
3	Capital Financing Requirements		£m	£m		
		Non – HRA	1,267	1,046	N	
		HRA	269	269	N	
		Total	1,536	1,315	N	
4	Authorised Limits for External Debt		£m	£m		
		Borrowing	1,555.4	635.2	N	
		Other Long Term Liabilities	216	141.7	N	
		Total	1,771.4	776.9	N	
5	Operational Boundaries for External Debt		£m	£m		
		Borrowing	1,159.8	635.2	N	
		Other Long Term Liabilities	216	141.7	N	
		Total	1,375.8	776.9	N	
6	Upper Limits for Fixed Interest Rate Exposures	Net Borrowing at Fixed Rates as a percentage of Total Net Borrowing	96%		83%	N
7	Upper Limits for Variable Interest Rate Exposures	Net Borrowing at Variable Rates as a percentage of Total Net Borrowing	92%		17%	N
			Lower Limit	Upper Limit		
8	Maturity Structure of Borrowing	under 12 months	0%	0%	0%	N
		12 months and within 24 months	0%	100%	51%	N
		24 months and within 5 years	0%	80%	28%	N
		5 years and within 10 years	0%	70%	0%	N
		10 years and above	0%	70%	21%	N
9	Upper Limits for Principle Sums Invested for over 364 days		£0		£0	N