

**Manchester City Council
Report for Resolution**

Report to: Executive – 18 October 2017
Resources and Governance Scrutiny Committee –
9 November 2017

Subject: Global Revenue Budget Monitoring Report to 31 August 2017

Report of: Manchester 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 August 2017 and financial profiling to 31 March 2018.

Recommendations

The Resources and Governance Scrutiny Committee is requested to:-

1. Note the contents of the report.
2. Note the provisional use of the £12.92m Adult Social Care Grant as set out in paragraph 8.10 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. Note the use of reserves in addition to that already planned as set out in paragraph 13.
5. Note the use of grants in addition to that already planned as set out in paragraph 14.

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	

Manchester Strategy outcomes	Summary of the contribution to the strategy
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 £8.997m for 2017/18, based on the position as at the end of August 2017.

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. 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 August 2017 and forecast position to 31 March 2018.

2. 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 back in line with the available budget.
- 2.2 The financial position is monitored 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 pressures which are being felt nationally, in Children's Social Care in particular. Although the position is a forecast overspend of £9m work is being carried out through Delivery Plans which should see the position substantially improve in the next quarter.

3. Summary Budget Position

- 3.1 The table below summarises the current projected financial position for 2017/18 as at the end of August 2017 and details a forecast overspend of £8.997m.

	Revised Budget	Forecast Outturn	Forecast variance P5
	£,000	£,000	£,000
Total Available Resources	(534,709)	(536,433)	(1,724)
Total Corporate Budgets	100,612	98,853	(1,759)
Directorate Budgets			
Children's Services	102,687	109,712	7,025
Adults & Public Health - MCC	165,102	168,679	3,577
Adults - Health and Care System Related	(4,676)	(4,676)	0
Corporate Core	74,828	74,804	(24)
Growth and Neighbourhood	90,066	91,878	1,812
Strategic Development	6,090	6,180	90
Total Directorate Budgets	434,097	446,577	12,480
Total Use of Resources	534,709	545,430	10,721
Total forecast over / (under) spend	0	8,997	8,997

Corporate Costs and Resources

4. Overall corporate resources and costs

- 4.1 The resources available the City Council are £1.724m higher than originally budgeted mainly due to the receipt of £1.4m of fortuitous income in excess of that planned (£800k event income from Manchester Central convention centre and £600k from a refund of business rates), additional dividends of £200k and over achievement of other grant income of £124k.
- 4.2 Corporate budgets are reporting an underspend of £1.759m, of which £1.4m relates to allocations for budget pressures set aside not being required this year. These include delivery of the Information and ICT strategy (£1m), delayed recruitment in Commissioning and HR/OD staff (£225k), and funding to support meeting the highways bridges backlog (£175k). In addition historic pension costs are forecast to underspend by £352k due to fewer recipients.

5. 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 August, 41.05% of Council Tax had been collected. This is 0.16% higher than at the same point last year.
- 5.2 Business Rates collection is 44.95% as at the end of August, 0.75% behind this 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 in collection will impact in the budget for 2018/19.

Directorate Requirements

6. Children's Services

- 6.1 Children's Services are projecting an overspend of £7.025m, which consists of the following:
- 6.2 The challenge for the service continues to be the achievement of the planned placement reductions in external residential and external foster care, both are above the number anticipated when the budget was set. In a number of instance the average unit cost of placements is higher than expected. Whilst the placement numbers in external residential settings have increased, they are continuing to reduce within external foster care but not at the pace originally envisaged. This is coupled with a lower than expected increase in Manchester foster carers. More recently the service has seen additional pressures on the leaving care budget with a significant increase in numbers over the last quarter. The impact on the Children's Services budget is as follows:

- Spend on external residential placements is £2.6m over budget, with the number of placements now at 60, compared to a forecast of 49 when the budget was set. The average unit costs are also 17% higher than budgeted due to increased complexity of need.
 - The fostering budget is projected to overspend by £1.9m, with the level of external foster care placements (449) being 49 above the budget as at August 2017. The financial projection includes savings of £0.7m to be achieved during 2017/18 by a planned and safe reduction to 408 placements by March 2018. This is partially offset by internal foster care placements being lower than the budgeted numbers, in part as a result of the anticipated conversions to Special Guardianship Orders.
 - Special Guardianship Orders (SGOs) are forecast to overspend by £0.7m due to the number of children with SGOs being 425 compared to budget of 391 and unit costs at 16% higher, together with additional costs relating to the expected costs of planned conversions from external foster care.
 - Leaving Care forecasts an overspend of £1.1m largely due to an increase of 24 in the number of supported accommodation placements since May. Of the additional placements, 10 relate to the commitment to ensure that no care leaver reaching the age of 18 moves into bed and breakfast accommodation and five relate to young people being at risk of becoming homeless at aged 18 in an emergency situation, and being placed in supported accommodation, with the remaining nine relating to new leaving care placements.
- 6.3 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 £1.3m. The position is offset by underspend on targeted interventions of £400k.
- 6.4 There are £0.730m of overspends in other areas including for premises and staffing costs within the family placement services, residual staffing costs from the closure of MCC operated children's homes and increased pressure on the s17 emergency payments budget. These are offset by £0.905m underspends within the adoption allowances budget, vacancies in the CAMHs service, legal costs and additional School Improvement Fund grant for education services.
- 6.5 The service is working with colleagues in Corporate Core to implement a Budget Delivery Plan, the outcomes of which will be included in the next report.
- 6.6 The work includes:
- External residential placement panel chaired by Director of Children's Services from September 2017;
 - A review and enhancement of joint commissioning arrangements with Clinical Commissioning Group;
 - A review of high cost fostering placements;
 - Savings from a change in the approach to contracting and commissioning
 - Encouraging Special Guardianship Orders take up;
 - A review internal and external fostering arrangements;
 - A review agency workers deployment; and

- Development of arrangements for children leaving care.

7. Adults Social Care and Public Health

- 7.1 The projected overspend in 2017/18 is £3.577m. The position includes a forecast overspend of £1.615m for homelessness which is currently outside the scope of the MHCC Partnership agreement. A Delivery Plan is being developed to address this.
- 7.2 The projected overspend includes deployment of Adult Social Care grant to mitigate the financial impact of delays in the implementation of new delivery models on the savings programme, protecting service delivery which is focussed on hospital discharge and the cost of new packages of care. The main reasons for the overspend are as follows:
- 7.3 Care – £1.103m overspend forecast as follows:
- Homecare (£0.692m) – The budgets are continuing to see demand and cost pressures, client numbers have increased from 1,679 at 1 April 2017 to 1,775 at the end of August. Commissioned hours per week have increased from 22,939 to 24,307 over the same period. The budget also continues to be adversely affected by the need to commission homecare from outside the standard framework contract. New framework tendering and a review of the hourly rate are expected to help address this issue, however delays in the commissioning of new models of care will now mean that it is estimated that only half of the £467k savings target will be made in year.
 - Residential and Nursing (£452k overspend after deployment of £0.5m from Adult Social Care grant). The budget is based on a 133 net reduction in client numbers over 2017-18, 42 by August, primarily through use of extra care provision. As at August, client numbers have increased from 1,019 in May to 1,029, an adverse movement of 52 from the budget assumptions.
 - There are other minor underspend variations of £41k.
 - The Locality Plan savings programme includes £1.596m from the implementation of new care models related to residential, nursing and homecare provision, with the delivery of these savings predicated on (initial) investment from the GM Transformation Fund. However, the release of the funding within Manchester was later than original expected, with further work and assurances required on the models proposed. The forecast saving is now unlikely to be achieved in 2017/18 and this will be offset by the use of the Adult Social Care Grant to maintain the capacity in these areas of care.
- 7.4 Learning Disability Service – £0.500m overspend. This position assumes delivery of a significant proportion of the £1.2m of savings from updating the arrangements for support planning. However, the time taken to undertake the necessary preparation work mean that a more realistic position is likely to leave a £0.500m pressure. Additional social workers are now in post to undertake the work and progress will be reported to the next meeting.

- 7.5 Mental Health Services has a £95k forecast overspend. The service is continuing to experience demand pressures, with client numbers increasing from 718 in May 2017 to 746 at August 2017. The cost pressure this increase is generating is being offset by the use of an additional allocation of resources.
- 7.6 Business Units are forecasting an overspend of £0.574m. The overspend reflects the need to incur additional staff related costs to cover vacancies and ensure a safe service is delivered.
- 7.7 Homelessness is forecasting an overspend of £1.615m. The introduction of the flexible housing support grant replacing the temporary accommodation management fee from 1 April results in a pressure of c£1.615m, this arises from the baseline data point used by Government not reflecting the current position.

Adult Social Care Grant

- 7.8 The 2017 Spring Budget announced an additional £2bn for Adult Social Care. The City Council was allocated additional funding of £12.92m 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.
- 7.9 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.
- 7.10 In line with these principles there is proposed deployment into a number of core areas which are set out below, the assumptions in this report are pending formal agreement by MHCC Executive and the Health and Wellbeing Board:
- 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) – see paragraph 8.3 - 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 (£0.430m)
 - Investment in service reform and new models of care (£1.580m)
 - Other investments/demand requirements (£2.092m)

8. Corporate Core

- 8.1 The Corporate Core is currently forecasting an underspend of £24k. This is made up of Corporate Services underspend of £1.170m, offset by Highways overspend £1.067m and a small overspend in Chief Executives £79k.

- 8.2 The Corporate Services underspend is mainly due to staffing underspends, this is across most service areas and is due to vacant posts. The projection does include assumptions around dates when vacant posts will be filled and services are working on recruiting to vacancies.
- 8.3 Chief Executives are forecasting an overspend of £79k, and this is mainly due to the costs of the additional capacity required to address the changes to Data Protection requirements. Officers are working to mitigate the small forecast overspend through a combination of maximising income and reduced running costs.
- 8.4 The Highways Service has forecast an overspend of £1.067m in the current financial year. Manchester Contracts have a predicted £706k overspend due to a reduced income forecast. On Street Advertising has a forecast overspend of £0.7m which relates to the delay in the achievement of savings from introducing new on street advertising screens. A procurement exercise is due to commence shortly and be concluded this financial year. At present it is assumed that no income will be achieved in this financial year.
- 8.5 These are partly offset by savings against the accidents and trips budget (£184k), street lighting (£100k) and non-decriminalised parking (£55k).
- 8.6 The Highways Service has prepared a budget delivery plan that sets out how the service will mitigate the current forecast overspend. This includes capitalisation of higher value highway repairs and reducing expenditure across a number of budget headings. The results of this work will be included in the next report.
9. Growth and Neighbourhoods
- 9.1 The overall budget for Growth and Neighbourhoods is forecast to be overspent by £1.812m. The major variances are:
- 9.2 Neighbourhoods Service – the overspend of £1.774m is made up of the following variances:
- Waste Collection, Disposal and Street Cleansing - £1.848m pressure as a result of additional costs identified in 2016/17 from service changes, it is now clear that these are ongoing and a solution will be required on a permanent basis. Negotiations with the contractor are in process and the Council is seeking reductions in the contract for elements that have been removed or not delivered on. The pressures are partly offset by an underspend on the Greater Manchester Waste Disposal Authority (GMWDA) Levy, use of DCLG Support Scheme Grant and the position on other non-levy waste disposal costs. Once the negotiations are concluded and the position on the Inter Authority Agreement is clearer consideration will be given to whether there should be an application to use the £1.5m waste contingency set aside for unforeseen pressures in the waste budget.

- 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 - £204k 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.
- 9.3 Business Units has a forecast overspend of £171k mainly relating to reduced income from Manchester Fayre for school meals and additional operational costs.
- 9.4 Planning, Building Control, Licensing and Land Charges is forecast to underspend by £139k. 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 £34k underspend relating to staffing budgets.
- 9.6 Directorate Support is forecasting a £40k overspend due to pressures on the Support Services budget.
- 10 Strategic Development
- 10.1 Strategic Development is forecasting an overspend of £90k, due to a combination of slippage in delivering the facilities management savings and 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. Housing Revenue Account (HRA)
- 11.1 The HRA is a ring-fenced account and any surplus/deficit in year has to be transferred to/from the HRA reserve. The HRA is forecasting a favourable variance of £9.982m. The main variation is in respect of slippage in the programme of capital works as follows:.
- Revenue used to fund capital expenditure (RCCO) - £11.277m underspend due to slippage in the current year's capital programme where expenditure is now expected to occur in 2018/19, and works to multi storey blocks being put on hold pending a review following the Grenfell Tower Fire.
 - PFI Contractor payments - £243k overspend – The forecast overspend is due to a combination of change notices on the PFI contracts and higher than forecast inflation, offset by a reduced unitary charge of £160k.
 - Depreciation - £786k overspend, this is based on the 2016/17 actual costs which were higher than originally allowed for in the original budget set in February 2017

- Housing Rents - £134k overspend – due to a continuing increase in the number of right to buy properties which has reduced the overall level of rent which can be collected.
- Other minor overspends of £132k.

12 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, £2.475m available**, £165k 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, £16.450m available, £7.483m 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	1,866	2,353	0
Contract Costs of Minimum Wage	4,562	4,170	392	0
Remand LAC	300	200	100	0
Markets income pressure	900	900	0	0
Fly Tipping Teams	200	200	0	0
ICT - To fund the delivery of the Information and ICT strategy	1,859	147	1,712	1,000
Total Activity	16,450	7,483	8,967	1,000

13. Requests for use of Reserves

- 13.1 The proposed use of reserves which have arisen from the carry forward of grants across financial years, in addition to that already planned, are as below:
- Use of reserve containing the final balance of funds received from DCLG to support waste collection costs to support the waste budget - £355k.
- 13.2 The proposed use of reserves (excluding those established from the carry forward of grants across financial years) in addition to that already planned, are as below:
- Catering reserve - £43k for the instillation of fly screens in school kitchens to address Food Hygiene safety issues.
 - Climate Innovation Fund - Civic Quarter Heat Network increase to the development underwriting should the project be unilaterally terminated prior to reaching financial or contract completion - £337k.

14 Grants

- 14.1 Notification has been received in relation to a specific external grants, 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.
- Clean Streams – Restoration of water courses - £50k which is seeking to clean up further reaches of watercourses, working with the communities to value their local watercourses and reduce the flood risk from blockage of structures and improve the environment and wellbeing of residents.
 - Community Safety Partnership Funding 2017/18 - £0.695m - The spend will contribute towards achieving the Partnership's priorities of changing offender behaviour, protecting vulnerable people and reducing crime and anti-social behaviour.
 - Control of Migration Fund - £280k over two years. The funding will create a team of proactive enforcement officers that will target rogue landlords with a particular focus on private lets above shops in deprived areas.
 - Autonomous Vehicle Trial - £39k over three years. This project to trial a driverless electric shuttle service at Manchester Airport and trial the use of autonomous vehicles between Stockport Train Station and Manchester Airport, which will help reduce the congestion, air quality and climate change impact of Manchester Airport.
 - Big Ideas Generator - £250k. This will support innovation and enterprise across Greater Manchester, creating opportunities to activate self-employment and enhance skills by delivering a programme in libraries to stimulate entrepreneurial activity encouraging economic growth.
 - The National archives New Burdens Payment - £71k. Storage of archives to the required standard – particularly new records, improving digital access to records – procuring a system which attractively and effectively gives access to digital collections
 - New Burdens Grant - £120k. Right Benefit Initiative activity supports maintenance of an accurate Housing Benefit and council tax support caseload ensuring the correct money is paid to households, reducing under/over payments and protecting the public purse.

- Universal Credit Management Support - £32k. The aim is to move unemployed residents into paid work and for them to contribute to the economy. This funding will help MCC work towards this objective.
- Business rates new burdens grant - £12k. To support the system implementation and administration costs of new business rates relief e.g. discretionary revaluation relief, pub relief, small business rates relief.

15. Prudential Borrowing Indicators

- 15.1 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**.

16. Conclusion

- 16.1 The Global Revenue Budget Monitoring position presents information based on projections as at the end of August 2017.
- 16.2 An overspend of £9m 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 next quarter. 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.

17. Recommendations

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

APPENDIX

PRUDENTIAL BORROWING INDICATORS AS AT END OF AUGUST 2017

No	Prudential Indicator		Target	Actual as at end of August 2017	Target Breached Y/N	
1	Ratio of Financing Costs to Net Revenue Stream	Non – HRA	9%	9%	N	
		HRA	4%	4%	N	
2	Capital Expenditure		£m			
		Non – HRA	451.0	438.1	N	
		HRA	42.1	29.2	N	
		Total	493.1	467.3	N	
3	Capital Financing Requirements		£m			
		Non – HRA	1,267	1,090	N	
		HRA	269	269	N	
		Total	1,536	1,359	N	
4	Authorised Limits for External Debt		£m			
		Borrowing	1,555.4	636.8	N	
		Other Long Term Liabilities	216	141.7	N	
		Total	1,771.4	778.5	N	
5	Operational Boundaries for External Debt		£m			
		Borrowing	1,159.8	636.8	N	
		Other Long Term Liabilities	216	141.7	N	
		Total	1,375.8	778.5	N	
6	Upper Limits for Fixed Interest Rate Exposures	Net Borrowing at Fixed Rates as a percentage of Total Net Borrowing	96%	73%	N	
7	Upper Limits for Variable Interest Rate Exposures	Net Borrowing at Variable Rates as a percentage of Total Net Borrowing	92%	27%	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%	61%	N
		24 months and within 5 years	0%	80%	37%	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	