

Manchester City Council Report for Resolution

Report to: Executive – 2 June 2021

Subject: Revenue Outturn Report 2020/21

Report of: Deputy Chief Executive and City Treasurer

Summary

The report sets out the final outturn position for the Council's revenue budget in 2020/21. It also highlights the movements from the previous forecast for the year, which was reported to the Executive in February 2021, based on the position as at the end of December 2020.

Recommendations

The Executive is recommended to:

1. Note the outturn position for 2020/21 as set out in the report and summarised in Table One at paragraph 7.
 2. Approve the following within the Adult Social Care budget:
 - a. transfers of £4.166m and £489k to the corporately held Adult Social Care reserve as outlined in paragraph 36.
 - b. transfer of £9.2m to the Integration reserve which is within the S75 pooled budget arrangements, as outlined in paragraph 52.
 3. Note the Housing Revenue Account position for 2020/21 as outlined in paragraphs 73 to 75.
 4. Note the overall General Fund position for 2020/21 as outlined in paragraphs 79 to 81.
 5. Approve the use of grants in addition to that already planned, as detailed in paragraph 82.
 6. Approve the carry forward requests totalling £1.470m listed in Appendix 1.
 7. Note the allocation of COVID-19 funding received by the Council in 2020/21, as outlined in Appendix 2.
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Wards Affected: None directly

Environmental Impact Assessment - the impact of the issues addressed in this report on achieving the zero-carbon target for the city

The budget reflects the fact that the Council has declared a climate emergency by making carbon reduction a key consideration in the Council's planning and budget proposals.

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

There is an underspend at the end of the financial year which will increase General Fund reserve. Where required, provision has been made for known liabilities. Reserves are considered to be at a reasonable level to underwrite potential future costs and risks. If all recommendations are approved, the Deputy Chief Executive and City Treasurer is of the opinion that the Council was in a robust financial position at the end of March 2021.

Financial Consequences – Capital

There are no consequences for the capital budget.

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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.

Executive 12th February 2020 The Revenue Budget 2020/21

Executive - 14 October 2020 P5 Revenue Budget Monitoring 2020/21 and Budget Position 2021/22

Executive 11 November 2020 Report to update on the Council's MTFP focusing on the financial position and strategy from 2021/22

Executive 9 December 2020 P7 Revenue budget monitoring 2020/21

Executive 17 February 2021 P9 Revenue budget monitoring 2021/22

Introduction

1. This report provides a summary of the revenue outturn position for 2020/21 which includes the considerable financial impact of the COVID-19 pandemic on costs and resources.
2. The report includes the following Appendices:
 - Appendix 1 Carry forward requests
 - Appendix 2 Central Government COVID-19 Funding Announcements

Overview of Outturn Position 2020/21

3. As reported at Period 9 (P9), and in 2021/22 budget setting, the COVID-19 emergency funding received (Tranches 1 to 4) alongside budget mitigations has enabled an element of the planned use of airport reserve to be deferred into future years. The intention being to deliver a balanced budget for 2020/21 and support future years position. This recognises that COVID-19 will have an impact on the City Council finances after the government covid funding ends. At P9 the airport reserve slippage was estimated at £35.227m.
4. The outturn position has improved by £3.854m since P9, as shown in table one. This relates to an improvement of £2.401m in Adult Social Care, an increased claim on Sales, Fees and Charges compensation of £2.222m partly offset by a number of variations elsewhere, which net to £0.769m adverse.
5. The position includes COVID-19 pressures of £55.9m this financial year as well as confirmed government COVID-19 funding and mitigation through the Council's share of the sales, fees and charges funding.
6. Carry forward requests totalling £1.470m have been received for consideration, these are listed at Appendix 1 for consideration.
7. The following table summarises the outturn for 2020/21 by service, the paragraphs which follow outline the main reasons for the variations to budget and the changes from the previous forecast reported to the Executive in February 2021, which was based on the position to the end of December 2020.

Table One: Overview of Outturn Position 2020/21

	Revised Budget	Outturn	Total Variance	Movement from last Exec (P9)
	£000	£000	£000	£000
Total Available Resources	(871,147)	(859,499)	11,648	(1,150)
Total Corporate Budgets	257,395	253,580	(3,815)	(288)
Children's Services	135,666	133,911	(1,755)	(400)
Adult Social Care	235,234	239,298	4,064	(2,401)
Homelessness	17,777	25,200	7,423	1,040
Corporate Core	97,534	101,754	4,220	(198)
Neighbourhoods	114,714	127,919	13,205	1,597
Growth and Development	12,827	15,960	3,133	168
Total Directorate Budgets	613,752	644,042	30,290	(194)
Total Use of Resources	871,147	897,622	26,475	(482)
Total forecast over / (under) spend	0	38,123	38,123	(1,632)
COVID 19 Government grant income (tranche 1 to 4) - Confirmed			(64,782)	0
COVID-19 Sales Fees and Charges grant Income - Forecast			(12,422)	(2,222)
Reprofile the use of reserves			35,227	0
Net forecast over / (under) spend			(3,854)	(3,854)

Memo: Breakdown of variance		
COVID	Other over / under spend	Total Variance
£000	£000	£000
14,910	(3,262)	11,648
0	(3,815)	(3,815)
1,033	(2,788)	(1,755)
8,262	(4,198)	4,064
5,153	2,270	7,423
5,620	(1,400)	4,220
16,177	(2,972)	13,205
4,793	(1,660)	3,133
41,038	(10,748)	30,290
41,038	(14,563)	26,475
55,948	(17,825)	38,123
(64,782)		(64,782)
(12,422)		(12,422)
35,227		35,227
13,971	(17,825)	(3,854)

Overview of COVID-19 Financial impact

8. Dealing with the immediate impact of COVID-19 has resulted in major spending pressures, particularly in social care and homelessness, alongside significant income reductions. There are also additional costs arising from functions such as providing the community hub and services for shielding residents as well as sourcing and supplying personal protective equipment (PPE).
9. The final COVID-19 return for 2020/21 was submitted on 30 April 2021. This showed the financial cost of COVID-19 to the Council in 2020/21 was £162.2m of which £21m relates to additional expenditure and £141.2m to loss of income.

Table Two: COVID-19 Forecast Financial Impact

	COVID-19 Financial impact
	£000
Forecast Cost Pressures	20,955
Forecast Income Shortfalls	141,232
Total	162,187

10. The financial impact of COVID-19 during 2020/21 will fall over a number of years due to the following factors:
 - Any surplus or deficit on the Collection Fund (which covers both business rates and council tax income) is usually reflected in the year following that in which the income is due. Note the government has mandated that any 2020/21 irrecoverable deficit is smoothed over 3 years 2021/22 to 2023/24.
 - The Council has an airport dividend reserve which means that a significant proportion of the income (£56m) is budgeted to be used a year in arrears.
 - The budget shortfall has been adjusted for bus lane and parking lane enforcement income as this affects the level of the available reserve to fund future commitments.
11. This has resulted in the financial effect of COVID-19 for 2020/21 of £55.9m and 2021/22 of £143.2m as per table three below. This also includes further financial pressures into 2021/22 from anticipated continuing income losses (council tax, business rates, dividend, fees and charges) and further costs in 2021/22, particularly in adult social care and homelessness.

Table Three: Summary of COVID-19 Impact across 2020/21 and 2021/22 (excluding funding announcements)

	2019/20 £000	2020/21 £000	2021/22 £000
Additional Costs (MCC only)	389	20,955	24,906
Income:			
Loss of Income (MCC only)		141,232	111,546
Adjustment for element of airport dividend not budgeted to use in year		(55,809)	(8,729)
2020/21 Council Tax and Business Rates shortfalls impact a year in arrears		(41,449)	13,816
2020/21 Council Tax shortfall relating to 2019/20 deficit impact a year in arrears*		(3,072)	3,072
Bus Lane and Parking Income - impact on reserves capacity		(5,909)	(1,430)
Budget impact of lost income	0	34,993	118,275
Total Costs and Net income losses	389	55,948	143,181

**This element of the deficit is not eligible to be spread as it relates to an increase in the 2019/20 bad debt provision*

Summary of outturn position by directorate

12. The following section details the overall variances from revised budget, including COVID –19 related pressures, savings, mitigations and other changes. The position reflects the need to increase accounting provisions for bad debt in several areas, linked to the economic impact if the pandemic.

Resources (budget £871.147m, shortfall £11.648m)

13. The Council is responsible for the collection of local taxes (Council Tax and Business Rates). At the end of March 2021, 92.15% of Council Tax had been collected, 2.58% behind the position reported at the end of 2019/20. 87.91% of Business Rates had been collected which is 9.67% behind 2019/20.
14. Council Tax and Business Rates relating to 2020/21 will continue to be collected and the ultimate collection rate will be higher. It should be noted that local taxation income included in 2020/21 for these areas is fixed. Variances will impact in future years and forecast deficits have been built into the budget position.
15. The total available resources position represents a shortfall of £11.648m. This is mainly due to a £14.910m loss in dividend income from the Manchester Airport Group due to the impact of COVID restrictions. The dividend loss is partly offset by increased income as follows:
- an increase of £1.018m on the retained business rates budget due to the

- late announcement of notional Public Health allocations for 2020/21,
- a £0.706m increase on other specific grants and New Burdens funding
- £1.538m fortuitous income from rents on council properties and rental income from the Arndale Centre and Manchester Central.

16. The movement of £1.150m from Period 9 relates to the better than expected income from the Arndale Centre and Manchester Central.

Corporate Budgets (budget £257.395m, underspend £3.815m)

17. The total corporate budgets position is an underspend of £3.815m. This is made up of £2.425m underspend on budgets to be allocated including the pension contribution reduction, utility savings and delay to investments, £0.860m released from the contingency budget as not required and £0.53m underspend on historical pension costs. The movement from Period 9 is mainly due to a further £300k of Contingency budget release.

Children's Services (budget £135.666m, underspend £1.755m)

18. A key priority for the Council is to increase the effectiveness of services to improve outcomes for children and young people. This is delivered through effective leadership and management at a locality level and programmes of activity with key partners, adopting a targeted and systematic approach to improved standards of practice; early help and prevention, effective commissioning and market management and maximising efficiencies where appropriate in service delivery.
19. The £1.755m underspend for Children's Services is 1.3% of the £135.666m budget and indicates early achievement of some of the 2021/22 savings. The underspend has improved by £0.4m since December 2020 relating to reduced placement and looked after children associated costs. The outturn position includes £1.033m spend and income loss due to the pandemic.
20. The main variances on the Children's Services budget are summarised in the following paragraphs.
21. **Our Children placements (budget £47.8m, underspend £0.473m)** - The position reflects the progress that has been made through joint commissioning of specialist provision for children. The budget includes a contribution of £3.4m from Manchester Health and Care Commissioning (MHCC) towards the cost of these placements. There are regular resource tracking and monitoring multi-agency panels to ensure the level of accommodation and cost continues to be appropriate for the young person's needs. This has contributed to the underspend of £0.473m, which is a favourable movement of £0.894m since the last report.
22. **Permanence and Leaving Care placements (budget £18.345m, underspend £2.427m)** – The service has performed well in the discharge from care and avoidance of children coming into care through increasing the use of permanent Special Guardianship Orders with numbers increasing by 13 to 605 since the last report. Adoption Allowances and Child Arrangement

Orders have recently been reviewed and as a result have reduced by 14 to 163. Home Office grant for Unaccompanied Asylum-Seeking Children (UASC) has increased due to a change in the amount that can be claimed per child.

23. **Children's Safeguarding Service Areas (budget £43.805m, underspend £0.768m)** - This includes a £1.498m underspend mainly relating to social work teams vacancies and regional adoption agency reduction in the expected cost of the commission. The underspends are partly offset by overspends in legal costs and early years totalling £0.730m. The Early years overspends relate to loss of income from Children's Centres rent.
24. There has been an adverse movement of £353k since December 2020 mainly due to greater than expected use of external legal services.
25. **Children's Strategic Management and Business Support (budget £4.785m, overspend £31k)** - This overspend relates to staffing.
26. **Education Services (budget £20.931m, overspend £1.882m)** - This budget includes Short Breaks and Education Psychology. The overspend relates to:
 - Education Service areas £311k overspend mainly due to Statutory assessment cost. Demand for Education, Health and Care plans has increased by 4% in 2020/21.
 - One-off revenue contribution to works outdoor education provision at Ghyll Head and School Organisation and Quality overspend totalling £431k following additional provision of support from the Contact Service and school improvement costs.
 - Special Education Needs Transport which provides home to school and home to further education settings for children and young people in education with Education Health and Care Plans (EHCPs) is overspent by £383k relating to the cost of transport for children with Special Education Needs and Disabilities (SEND).
27. The position on Education budgets has had an adverse movement by £392k since the last report due to a reduced grant allocation to this area.
28. The service has reviewed its 'front door' arrangement (through which children access the service) to strengthen the response to identify children in need of help/protection and the 'multi-agency response' between our partners. The impact is being closely monitored. Due to COVID-19 and lockdown measures demand for services in 2020/21 has been affected. Evidence of pent-up demand is now being seen, the early help hubs are seeing an increase in requests for a targeted offer of intervention and requests for support which appear to be driven by hardship, intrafamilial relationships and incidents of domestic abuse. The Social Work Teams are now receiving requests for social work intervention that compare to 'pre-COVID-19' levels. Demand for Children's Services may increase as there are multiple factors influencing demand and activity for Children's Services such as deprivation, domestic abuse, substance misuse and adult mental health have been heightened due to the pandemic.

Dedicated Schools Grant (budget £321m, overspend £2.257m)

29. Dedicated Schools Grant (DSG) in 2020/21 totalled £560m, of which £239m was top sliced by the Department for Education for academy school budgets. DSG has overspent by £2.257m due to an increased spend in relation to children with special educational needs and need support in a special school or additional support in mainstream school settings. These costs are funded through the high needs part of the DSG budgets (High Needs Block). The DSG overspend previously reported has reduced by £1.219m. This change is due high needs block's termly special schools adjustments spend and out of city placements costs and early years spend for the spring term was lower than previously forecast.
30. In the Council's school funding settlement for 2021/22 there is an additional grant of £11.5m in the high needs block of the DSG to support children and young people with high levels of need. Based on the expected growth in demand for special school places and education, health, and care plans it is anticipated that half of the current years overspend can be set against next year's grant with the rest of the deficit being recovered by the end of 2022/23.

Adult Services (budget £235.234m, overspend £4.064m)

31. The final outturn position is an overspend of £4.064m, an improvement of £2.401m since the previous forecast as at the end of December. The breakdown of the overspend is split between £4.135m on the areas of social care within the Manchester Health and Care Commissioning (MHCC) Pooled Budget, offset by a £71k underspend for Adult Social Care services outside of the pool. The overspend represents 1.73% of the £235.234m budget. The MHCC Pooled Budget for both health and social care is £1.196bn. The Clinical Commissioning Group (CCG) (health) element of the pooled budget was balanced for 2020/21.
32. The £4.135m overspend on the MHCC Pooled budget relates in the main to the following areas:
 - In-house Learning Disability Supported Accommodation overspend of £2.442m from ongoing and rising needs for care and support;
 - Older Peoples care budgets of £5.047m from additional COVID-19 costs;
 - Offset by underspends from the delayed opening of new extra care schemes of £1.070m;
 - And offset by underspends on Reablement, Day Care, Short Breaks, Population Health and other minor variations which total £2.284m.
33. The major variances are explained in the following paragraphs.
34. **In-house Learning Disability Supported Accommodation budget (LDSA), (Budget £13.404m, overspend £2.422m)** - The overall overspend is due to delayed recruitment resulting in additional agency spend to support the rising needs of residents within the service and the need to maintain a stable workforce throughout the COVID-19 pandemic. The stable workforce ensured

risk to the clients and their support staff was minimised by minimising the number of staff they had contact with. The increase in the overspend of £0.589m from the last reported position is due to the creation of a reserve for the costs of essential fire safety requirements in the coming months. This work was delayed in 2020/21 due to access to the buildings being restricted apart from any essential needs of the residents.

35. There has been a net increase of 24 clients in LD supported accommodation this year which is indicative of increased cooperation across the wider system to place clients with the In-house service. In light of this a further review of the LDSA budget will be undertaken at the start of 2021/22.
36. **Residential and Nursing (Budget £19.635m, overspend £5.994m)** - This relates to adjustments for COVID-19 pressures, reflecting c200 clients who have been discharged from hospital and whose costs have been paid throughout 2020/21 by Health partners. These clients are yet to have a full care act assessment to ensure the most appropriate level of care in 2021/22. It is not yet known how many additional clients will require social care support. Therefore, the balance of anticipated spend not yet committed of £4.166m has been transferred to the corporately held adult social care reserve. This can be allocated once the full extent of the on-going financial cost of these clients is established, when they complete the assessment process. In the event any balance remains this can be utilised extend the life of the Adult Social Care reserve where spend is due to be mainstreamed in 2022/23 or support the Council's budget process. In addition, a £489k unallocated budget for National Living Wage has been carried forwards in the Adult social care reserve to support and sustain the care market post pandemic, as providers adjust to new requirements.
37. Numbers of residential and nursing care placements for those aged 65+ who have not been discharged from hospital are 199 lower than 12 months ago and reflect the impact of the pandemic on this service area. The reduction in clients has resulted in reduced income levels and uncertainty regarding the numbers who will transfer back from health partners. It has been necessary to include an increase into the bad debts provision of £0.900m. Looking ahead to 2021/22, the 'Better Outcomes, Better Lives' programme will be seeking to place fewer clients in residential and nursing care through the provision of enhanced homecare packages. As the lockdown starts to ease it is expected that the numbers placed in care will start to increase and the estimated full year effect of that has been budgeted for in the 2021/22 budget process.
38. **Homecare (Budget £12.809m, underspend £477k)** The underlying underspend is £1.347m, partly offset by £0.870m COVID-19 related spend. The original 2020/21 budget included an assumption that homecare hours would increase. The impact of COVID-19 has meant the increase did not materialise as anticipated. During the year, the number of hours commissioned each week has fluctuated as referrals into the service from the wider community and hospital discharges have both been affected by COVID-19. However the number of hours commissioned in March 2021 was 30,842 hours per week which is higher than the position at March 2020 by 1,265

hours.

39. Strengthening of contractual arrangements and refinement of the 'control room' to speed up hospital discharges should ensure the service is well placed to accept the potential of significant new referrals into the service in 2021/22. The development of the 'Better Outcomes, Better Lives' work is expected to lead to reductions in homecare packages in 2021/22 as a more enhanced service offer is implemented. Savings of £0.635m are expected as expansion of the Reablement service continues and the utilisation of additional Technology Enabled Care (TEC) is embedded.
40. **Learning Disability Services (Budget £55.299m, underspend of £47k)** - The externally commissioned services underspent by £47k which includes £372k of specific Covid-19 costs. This is an improvement of £290k from period 9 and reflects further reductions in client numbers across the service. The most significant reduction is in supported accommodation placements which started the year at 354 and have reduced to 310 as at 31 March 2021. This reduction in placements needs to be considered alongside the increase in the in-house supported accommodation placements and it may be necessary to consider realignment of these budgets in 2021/22.
41. **Mental Health services (Budget £29.054m, overspend £277k)** - The budget for Mental Health services overspent by £277k which is an increase of £93k since the last report. The number of clients placed with the service has fluctuated across the year and reflects the widely reported pressures on mental health services across the country due to COVID-19. The final year end position is a net increase of 6 clients in supported accommodation, (movement from 263 to 269), however the peak during the year was 282 and it is presumed that this fluctuation will continue through 2021/22. The number of mental health residential and nursing placements has reduced by 20 across the year, with 19 of those being placements for those aged 65 and over.
42. **Social worker establishment - INT and hospital teams (Budget £6.856m, overspend £165k)**. There was an overspend on the social worker staffing budgets of £165k. This reflects the extending of the interim agency placements to support the service to carry out safe assessments during the pandemic.
43. **Reablement Service (Budget £5.361m, underspend £1.531m)**. The Reablement Service underspent due to a delay in recruiting and training staff across the year and the redeployment of staff to support a care home in financial difficulties. Recruitment to vacant posts will be critical in 2021/22 if the service is to support reductions in care packages.
44. **MLCO Commissioning budgets for extra care and sheltered housing (Budget £4.277m, underspend £1.209m)** - COVID-19 has had a negative impact on delivery of planned extra care schemes. This underspend is an increase of £299k since December and reflects a delay in the new scheme at Brunswick only becoming fully operational in March rather than the expected January completion date. Additional remedial work and costs were absorbed

by the contractor.

45. **Internal Day Care (Budget £3.240m, underspend by £306k)** - The day care service underspent due to the limited service which they could offer during lockdown and a repurposing of staff to support COVID-19 pressures elsewhere across the council.
46. **Other services across the MLCO providers services portfolio (Budget £5.611m, underspend £248k).** This underspend in the main reflects an underspend on the short breaks service of £249k and across the short term intervention team of £313k as they complied with government guidelines during lockdown and an underspend on the information and advice service due to recruitment delays. These underspends are partly offset by equipment and adaptations pressures of £187k due to lost income, as they struggled to access individuals houses to complete building assessments during lockdown and support for the residential care market of £167k at the start of the pandemic.
47. **Other care (Budget £2.002m, underspend £470k)** - The other care budgets underspent by £470k. This was due to a reduced service offer from external day care providers and reduced numbers of clients in external supported accommodation placements for those aged over 65 years.
48. **Carers (Budget £0.714m, underspend £99k)** - The carers budget had an underspend of £99k at year end which is smaller than previous years and reflects an uptake in the improved carers offer.
49. **Public Health budgets (Budget £46.075m, breakeven).** As reported throughout the year, Public Health staff were deployed into a variety of roles to support contact tracing and the vaccination programme. COVID-19 grants were maximised in full where appropriate to do so.
50. **Other budgets within the pool (Budget £26.041m, overspend £84k).** The main reason for the overspend is covid costs against the voluntary sector contracts partly offset by staffing underspends on business support services due to delays in the reorganisation of the service.
51. **Adult Social Care Costs Outside the pool (Budget £4.856m, underspend £71k).** This is due to reduced use of external best interest assessors in the Safeguarding Team in the last few months of the year.
52. Due to the pressures on the pooled budget MHCC have contributed £8.7m to the Adult Social Care Pool to support adult social care budget pressures including those arising from COVID-19 costs. The council had already planned to cover these costs from its COVID-19 related costs from emergency grant funding and other resources. The MHCC contribution will enable the Council to carry forward a total of £9.2m to ensure there is sufficient funding to sustain services in 2021/22 and beyond. The carry forward will be made via the 2021/22 in the Integration reserve which is within the S75 pooled budget arrangements. As the resources will be maintained within the pooled

arrangements the transfer to reserves will be accounted for within the Adult Social Care budget. The pooled budget position after the MHCC contribution is an underspend of £5.1m. Once the carry forward of resources of £9.2m is accounted for the position for adult social care is £4.1m and this is what will show in the Council accounts.

53. Manchester's Adult Social Care Improvement Programme remains the driver for significant change and longer term sustainability, primarily via the Integrated Neighbourhood Teams (INTs). Mobilised INTs with their closer worker relationships and improved communication across social workers, district nurses, GPs and community mental health teams have been critical in managing the response to Covid-19. Primarily this has supported the safe discharge of patients from hospital into care settings appropriate for their needs. Full Care Act assessments alongside health nursing assessments are still ongoing with protocols and funding agreements in place for the first quarter of 2021/22. All ASC assessments will continue to build on the 'strengths based' approach which is now being embedded through the 'Better Outcomes, Better Lives' programme.

Homelessness (budget £17.777m, overspend £7.423m)

54. The reasons for the overall overspend are outlined in the following paragraphs.
55. **Covid-19 response (budget £2.068m, overspend £5.153m).** Homelessness has been at the forefront of the Council response to COVID-19 and effectively delivered the government's 'Everyone In' programme since its inception, providing accommodation for people sleeping rough in the city. This provision has continued to ensure that residents in temporary accommodation do not return to the streets while move on accommodation with the correct level of support is developed, supported by MHCLG and partner organisations in line with the 2021/22 budget reports.
56. **B&B/Single people Accommodation (budget £6.396m, overspend £916k)** This includes cold weather provision of £315k which had been expected to be grant funded. The number of individuals presenting increased due to COVID-19, as sofa surfers and insecure lodgers were asked to leave their accommodation, and part of the economic consequences of the pandemic were realised. It is anticipated the number of people sleeping rough will also increase as lockdown lifts and this has been recognised in the 2021/22 budget setting process. Families have reduced in B&B over the COVID period. This has been due to a small fall in presentations and a significant amount of work by the team to move people out of B&B during the pandemic and fully utilising the opportunities of landlords wanting to rent homes, whilst the rest of the population were in lockdown.
57. **Dispersed Accommodation (budget £3.646m, overspend £0.856m)** increased costs due to a lack of move on to the Private Rented Sector. The families in dispersed accommodation have increased by 306 from last year as people have been moved into it, however the team has been unable to move people out of temporary accommodation. The total number of Dispersed

properties as at the end of March 2021 was 1,969. The homeless service has returned to business as usual with inspections starting again with landlords to improve standards, and increased visits at properties where people struggled to engage virtually.

58. **Overspend of £1m due to an increase in the bad debt provision**, following a review of the bad debt provision which has now been increased to capture the impact of the Universal Credit roll out which resulted in a shortfall in housing costs met by benefits.
59. **Support Services (budget £5.667m, underspend £0.502m)** This is a result of staff movements to COVID-19 priority response areas, where there have been delays in back filling substantive posts as well as areas where spend has been held back without impacting on service delivery to offset budget pressures as a result of the pandemic response.
60. Overall there has been an increase of £1.040m in Homelessness overspend since last reported to the Executive. The variances are due to:
 - An increase in need linked to cold weather provision (£315k) - it had previously been assumed this would be grant funded.
 - Increased demand for Bed and Breakfast provision in final quarter (£278k).
 - Increased numbers in Dispersed Accommodation due to a lack of move on to the Private Rented Sector due to third lockdown (£447k).

Corporate Core (budget £97.534m, overspend £4.220m)

61. **Corporate Services (budget £81.325m, overspend £4.105m)**. The main variances are as follows:
 - **Policy and Partnerships (budget £9.390m, £322k overspend)** This is due to £320k of community projects charged to revenue, a reduction in project income of £218k due to lower volume of project activity and £28k running costs. This is partly offset by £244k underspend on employee budgets due to vacancies and the timing of recruitment.
 - **Revenue and Benefits (budget £34.555m, overspend £1.513m)** This is due to £1.956m reduced court fee income because of lower volumes as the courts have been closed for periods of time due to COVID-19. This is partly offset by £117k savings on employee budgets due to vacancies and the timing of recruitment and £326k reduced running costs which include bank charges, costs of cash collection, reduced bad debt provision and licence costs.
 - **ICT (budget £13.746m, overspend £3.740m)** This is made up of £2.477m project costs funded by revenue, £1.307m additional equipment to support flexible working due to Covid-19, £101k shortfall in the staff capital charge to projects, £80k decommissioning costs of the data centre and £57k other running costs. This is reduced by £282k savings on employee budgets due to the number of vacant positions.

- **Capital Programmes (budget (£31k), overspend £422k)** This is due to reduced fee income because of delays to some capital schemes due to COVID-19.
- **Human Resources and Organisational and Development (budget £4.119m, overspend £176k)** due to voluntary severance costs.
- **Equality, Diversity and Inclusion (budget £242k, overspend £16k)** due to voluntary severance costs
- **Staffing Underspends (budget £19.811m, £1.966m)** across services due to savings on employee budgets in relation to vacant positions, some of which were being held for 2021/2022 savings, and the timing of recruitment: People Reform and Innovation £183k, Performance Research and Intelligence £26k, Procurement and Commissioning £162k, Financial Management £461k, Audit and Risk Management £399k, Shared Service Centre £339k, Customer Services £359k and Commercial Governance £37k.
- **Corporate items (budget £476k, underspend £118k)** due to savings on paying 3 years upfront pension costs of £250k reduced by an increase in bad debts and bank charges of £132k.

62. **Chief Executives (budget £16.209m, overspend £115k).** The main variances are as follows:

- **Coroners and Registrars (budget £2.348m, overspend £0.592m)** due to reduced income from ceremonies and increased costs of the council's contribution towards the temporary mortuary.
- **Communications (budget £3.371m, overspend £399k)** due to reduced income.
- **Corporate items (budget £1.295m, overspend £0.612m)** is made up of the following:-
 - increased bad debt provision (£107k)
 - Manchester Central historic catering costs (£250k),
 - reduction in the purchase of the annual leave scheme (£255k).

63. This is partly offset by underspends as follows:

- **Elections (budget £1.079m, £309k underspend)** due to cancelled elections in May 2020.
- **Legal Services (budget £7.129m, underspend £0.955m)** due to increased income and savings on employee budgets.
- **Executive (budget £0.987m, underspend £224k)** due to the reduced number of civic ceremonies due to Covid-19.

64. The Corporate Core £4.220m overspend has reduced by £198k since the previous report due to additional income in legal and registrars partly offset by severance costs paid out to staff leaving the council under the voluntary severance scheme from across the Corporate Core.

Neighbourhoods Directorate (budget £114.714m, overspend £13.205m)

65. The overall £13.205m overspend is made up of a Neighbourhood Services overspend of £10.312m and £2.893m on Highways.
66. Further detail on the main Neighbourhood Services variances totalling £10.312m are set out below:
- **Community Safety and Compliance (budget £27.253m, underspend £311k)** This is due staffing underspends because of vacant positions and the timing for recruitment due to COVID-19, these amount to £0.754m and are offset by net Covid related income losses of £413k.
 - **Libraries, Galleries and Culture (budget £10.198m, underspend £345k)** This is made up of reduced staff costs £494k because of vacant posts and the use of apprentices within Library Services, reduced running costs £68k offset by £217k of income losses because of Covid 19.
 - **Other Business Units (budget (£462k) underachievement £280k)** Bereavement Services and Pest Control have overachieved against their income targets by a total £0.567m but Manchester Fayre has reported an underachievement of £0.847m mainly as a result of the decision not to draw down from the school catering reserve which was set aside to smooth price increases and will now be available to support any residual costs whilst the service transitions away from MCC in 2021/22.
 - **Manchester Markets (budget (£1.731m) underachievement £5.138m)** Due to COVID-19 it was not possible to hold the 2020 Christmas Markets and the resulting loss of income was £1.673m. Manchester Markets have been closed for large parts of the year and have had to operate on reduced capacity when able to open, this has resulted in an overall shortfall of £3.465m.
 - **Parks, Leisure Youth and Events (budget £9.010m, overspend £3.465m)** This is made up of:
 - £2.621m support provided to Greenwich Leisure Limited (GLL) to cover the fixed cost of the Council's leisure and sports facilities.
 - £375k reduced income because of the cancelled 2020 Park life concert.
 - £426k loss of income from the Aquatics Car Park.
 - Net £43k other miscellaneous variances.
 - **Advertising (income target £2.663m, underachievement £1.873m)** Due to the impact of COVID-19 the advertising Income has underachieved by £1.873m. The shortfall is made up of a combination of two areas, they are large format advertising and the small format advertising contracts. The large format contract is an existing contract that has been impacted because of reduced footfall and visitor numbers, whilst the small format contract was due to be let in January 2021 but due to a combination of the pandemic and ongoing discussions around site numbers the contract has been delayed and will now commence in

Summer 2021.

- **Waste (budget £50.585m overspend £446k)** Due to the lockdown and the increased volume of domestic waste there were increased costs of both collection and disposal. Whilst GMCA (Greater Manchester Combined Authority) funded the increased costs of waste disposal, the City did incur additional costs of £446k for costs of collection due to additional vehicles and crews and additional bin requests.
- **Other Neighbourhoods Services (budget £7.783m underspend £234k)** Other variations from budget include underspend in both Neighbourhood Teams £168k and Grounds Maintenance £73k due to revised recruitment assumptions, increased income in Fleet Services of £54k offset by increased provision for bad debts £53k and minor variations in other Neighbourhoods of £8k.

67. The Neighbourhoods overspend has increased by £2.002m from the position reported previously. The change is due to a £1.873m reduction in Advertising income due to COVID-19, Manchester Fayre overall position is £0.760m less, due to a combination of further lockdown in January and not drawing down from the catering reserve and the markets overall position has changed because an increased bad debt provision has been provided to reflect the difficult trading position for market traders. The adverse changes have been partly offset by £0.694m reduction in the forecast for Leisure as a result of reduced support provided to Greenwich Leisure Ltd (GLL), reduced costs of £165k within Neighbourhood Teams due to lower than forecast charges for sink hole remediation, £157k increased income in Bereavement Services and other net underspends of £167k across the Directorate.

68. **Highways Service (budget £14.741m, overspend £2.893m).** This is made up of £2.719m reduced off street carparking income in quarter 4 following the bringing back in house, £229k in Network Management mainly due to increased bad debt provision, and £150k additional CCTV costs for monitoring of the off street car parks. This is reduced by underspends on Accident and Trips £103k due to reduced numbers of claims and employee savings in Manchester Contracts £102k through vacant posts.

69. This is an improvement of £405k since the previous report as at the end of December. The movement is made up of £461k additional grant funding towards social distancing works in the city centre and increased off street carparking income of £319k in quarter 4 offset by additional £150k CCTV costs for off street parking following transfer to a new contractor and a £225k increase in the bad debt provision.

Growth and Development (budget £12.827m, overspend £3.133m)

70. The outturn position of £3.132m overspend is an adverse movement of £168k from that reported at the end of December. The overall overspend of £3.132m is made up of overspends in the following areas:

- **Investment Estate (income target 11.887m, shortfall of £1.652m)**
Considering tenants reduced abilities to pay their rents the Council are continuing to work with businesses to provide support, there has been a need to increase the level of bad debt provision to recognise the reduced payments in year.
- **Facilities Management (budget £9.687m, overspend £0.576m)**
This is due to the loss of income from Manchester Fayre (£0.800m), offset by underspends that were mainly related to staffing.
- **Operational Property (budget £8.273m, overspend £397k)**
Spend on Estate Transformation was mainstream funded instead of utilising reserves (£925k), additional costs at Wythenshawe Hall (£141k), and an income shortfall of £70k at Abraham Moss Centre, offset by savings on utility costs at the Town Hall Complex (£167k), business rate refunds and water charge savings across the rest of the Estate (£233k), staffing costs £200k, savings at Alex House of £109k (mainly business rates), and other smaller savings totalling £30k.
- **Planning, Building Control & Licensing (budget (£0.588m) overspend of £375k)**
Income shortfalls in Taxi Licensing, Premises Licensing and Building Control being partly offset by additional Planning income.
- **Directorate management – (budget £164k) overspend of £178k**
Costs funded through mainstream resources and not utilising reserve as originally planned.
- **MCDA (Manchester Creative Digital Assets) – (budget nil) overspend of £122k**
Loss of income because of the pandemic. The full year income loss was in the region of £1.8m, but this was mitigated by reduced costs and the deferring of spend to save recharges.
- **The Community Hub - (budget £2.946m) net overspends of £452k**
The Community Hub has continued to provide ongoing support to the most vulnerable and the net cost of this is support was £452k.

71. The above overspends are offset by:

- **Housing & Residential Growth - (budget £1.445m) underspend of £478k** staffing underspends across Housing & Residential Growth
- **Work & Skills - (budget £1.873m) underspend of £81k** as a result of savings on project costs
- **City Centre Regeneration - (budget £914k) underspend of £60k** staffing savings arose following the transfer of the Planning & Infrastructure team

Housing Revenue Account

72. The Housing Revenue Account (HRA) outturn position is a £22.735m favourable variance. The two main variances are £21.303m due to reduced revenue contribution towards capital expenditure because of both delay and slippage on the approved capital programme mainly because of the implications of COVID-19 and £2.052m lower than forecast PFI (Public Finance Initiative) payments due largely to slippage in the planned installation of sprinklers at both Miles Platting and Brunswick because of access issues due to Covid-19.
73. As part of the annual HRA budget the budget for bad debt provision has been increased by 0.5% per annum to allow for the projected increase in arrears following the roll out of Universal Credit. There continues to be delays in the roll out of Universal Credit and there is ongoing proactive work to support residents, so the forecast bad debt requirement is £394k less than budget. In addition, there was additional income of £347k, mainly housing rents due to a reduced number of Right to Buy sales, which were affected by the pandemic. These underspends were offset by:
- Increased ALMO management fee £285k largely due to increased costs of the agreed pay awards, additional costs in respect of supplier relief payments because of Covid-19 and costs of Riverdale Estate demolition
 - £76k overspend is the net impact of several other minor variances across budgets.
74. The HRA is a ring-fenced account and any surplus/deficit in year must be transferred to/taken from the HRA General and Major Repairs reserves. For 2020/21, £5.103m has been transferred to the HRA reserve (opposed to budgeted transfer from reserves of £18.632m). This leaves a balance of £81.115m in the HRA General and Major Repairs reserves. The 30-year business plan currently forecasts that reserves will be exhausted by 2041/42, and this is before the cost of achieving zero carbon is considered. Work is ongoing to identify efficiencies that ensure that the reserves are kept at a sufficient level to underwrite risk and to fund future investment needs as required.

Savings Achievement

75. The 2020/21 budget included approved savings of £7.463m. The capacity to deliver savings has been greatly reduced with the impact of COVID-19. £1.670m has not been achieved as planned, these are reflected as overspends in the directorate position.

	Savings Target 2020/21		
	Achieved	Not achieved	Total
	£000	£000	£000
Children's Services	0	0	0
Adults Social Care	0	0	0
Homelessness	0	1,000	1,000
Corporate Core	3,303	146	3,449
Neighbourhoods Directorate	2,047	277	2,324
Growth and Development	443	247	690
Total Budget Savings	5,793	1,670	7,463

76. The unachieved savings relate to the following:

- Homelessness £1m from a reduction in the councils cost of temporary accommodation through transfer to registered providers is not being achieved due to the need for the Homelessness service to focus on the COVID 19 response. Work is ongoing to implement a pilot with a registered provider with the first tranche of properties transferring in April 2021. Savings are expected to be delivered in full in 2021/22.
- Corporate Core - £146k
 - £96k from annual leave purchase scheme
 - £50k Capital programmes underachievement of income due to slippage
- Neighbourhoods Directorate - £277k
 - £40k Galleries exhibition tax relief.
 - £46k Libraries and galleries increased income generation due to closures
 - £86k from revised operating model at Piccadilly Market
 - £105k Increase income generation through fees and charges across Compliance Services.
- Growth and Development - £247k
 - £247k Investment Estate additional income target delayed due to the additional lead time for developers and the impact of Covid-19.

77. It is anticipated that as restrictions continue to be relaxed the unachieved savings will be achieved in 2021/22, these will be kept under review.

General Fund Reserve

78. The opening 2020/21 General Fund reserve position was £21.353m and the 2020/21 budget assumed a transfer to the General Fund reserve of £1.597m giving a balance of £22.950m. At 2021/22 budget setting the City Treasurer determined the General Fund reserve balance should be increased to £25m, funded through a £2.050m transfer from Business Rates reserve. Given the outturn position and the risks and volatility around Business rates income it is proposed the increase to general fund reserve be funded from the 2020/21

underspend instead.

79. The forecast position excluded the impact of any variance at the end of the 2020/21 financial year. As the actual outturn position is an underspend of £3.854m the balance on the General Fund Reserve at 31 March 2021 is £26.804m.
80. There are requests to carry forward resources totalling £1.470m, detailed at Appendix 1. If these are approved this will be a first call on the General Fund reserve in 2021/22, reducing it to £25.334m.

Grants allocated to Manchester City Council in year

81. The revised budget includes a specific grant of £0.747m which was not confirmed at the time of the 2020/21 budget setting process and therefore has now been considered through the in year Revenue Gateway process. This is from Public Health England for additional drug treatment crime and harm reduction funding. The funding will provide additional capacity to respond to the challenges presented by drug driven crime.

Conclusion

82. Taking into account the forecast financial implications of COVID-19, the directorate work on identifying additional savings and any other known budget changes and confirmed government funding the budget is balanced for 2020/21, with a contribution to General Fund reserve.
83. The 2021/22 budget is also balanced, however from 2022/23 the financial outlook is uncertain and the position becomes challenging.