Executive 22 July 2022

Appendix 1 – Financial position 2022/23 P2

Integrated Monitoring and Corporate Plan Report: 2022/23 Period 2

Financial Executive Summary

- The Council is forecasting to overspend against its budget for 2022/23 by £4.523m, which is predominantly due to an anticipated £1.6m pressure on inflation requirements, a £3.7m shortfall in income in the Neighbourhoods directorate offset by a £0.744m underspend in Children's Services.
- Income shortfalls in off street parking and Christmas market revenue are the main drivers of the Neighbourhoods overspend projection.
- Approved Directorate savings in 2022/23 total £7.837m. Of these £4.447m (57%) are medium risk and £3.390m (43%) are low risk in that they are on track to be achieved. Work is ongoing to find alternative savings where original plans may not be achieved.

Overall MCC Financial Position

Integrated Monitoring report Period 2 total variance

	Original Budget	Revised Budget *	Forecast Outturn	Variance
	£000	£000	£000	£000
Total Available Resources	**(690,599)**	**(698,678)**	**(698,744)**	**(66)**
Total Corporate Budgets	140,652	137,894	139,459	1,565
Children's Services	129,020	128,234	127,491	(744)
Adult Social Care and Population Health	227,094	228,115	228,116	0
Neighbourhoods Directorate	91,704	92,388	96,154	3,766
Homelessness	27,346	27,545	27,545	0
Growth and Development	(9,752)	(9,518)	(9,518)	0
Corporate Core	84,535	94,020	94,020	0
Total Directorate Budgets	**549,947**	**560,784**	**563,808**	**3,022**
Total Use of Resources	**690,599**	**698,679**	**703,267**	**4,589**
Total forecast over / (under) spend	**0**	**0**	**4,523**	**4,523**

- # **Corporate Budgets**

Corporate Budgets £1.565m overspend

	Annual Budget £000	Outturn £000	Variance £000
Other Corporate Items	66,149	66,149	0
Contingency	1,060	1,060	0
Inflationary budgets and Budgets to be Allocated	22,425	24,037	1,612
Apprentice Levy	1,029	1,029	0
Levies	37,915	37,912	(3)
Historic Pension Costs	7,316	7,272	(44)
Transfer to Budget Smoothing Reserve	2,000	2,000	0
Total Corporate Budgets	137,894	137,847	1,565

Corporate Budgets - Financial Headlines

- Following an initial analysis of utility costs and budgets, it is expected that the Inflationary Budgets will be over-allocated by £1.612m due to pressures caused by the ongoing increases in utility costs. The Consumer Prices Index (CPI) rose by 9.1% in the 12 months to May 2022, up from 9.0% in April.
- Historic pension costs have underspent by £44k (0.6%) due to a reducing number of recipients.
- £2m has been transferred to the Budget Smoothing Reserve from Children's relating to early achievement of savings for financial year 2023/24.

Corporate Resources £66k over-achievement

	Annual Budget £000	Outturn £000	Variance £000
Retained Business Rates	(158,337)	(158,337)	0
Council Tax	(208,965)	(208,965)	0
Other Specific Grants	(112,683)	(112,704)	(66)
Business Rates Grants	(77,216)	(77,216)	0
Use of Reserves	(141,522)	(141,522)	0
Total Corporate Resources	(698,678)	(698,744)	(66)

Corporate Resources - Financial Headlines

- Business Rates Collection as at the end of May is 24.9% which compares to 13.3% by this point in 21/22, 13.7% in 20/21 and 21.8% in 19/20.
- Council Tax Collection at the end of May is 17.3% which compares to 17.9% by this point in 21/22, 16.6% in 20/21 and 18.1% in 19/20.
- Other specific grants - Council Tax Subsidy was £63k higher than budgeted and £3k was under-accrued in 2021/22 for the Covid Welcome Back Fund.
- £110k of the Use of Reserves budget reflects the timing of the Business Rates S31 grants for Extended Retail Relief which was received in 2021/22 but is applied to offset the 2022/23 Collection Fund Deficit.
- Invoices paid within 30 days is 73% compared to a target of 95%.
- £4.7m (17.3%) of pursuable debt is over a year old and still to be recovered by the Council. Progress is being made in resolving outstanding disputes which are preventing payment.

Children's Services

3a. Children's and Education Services - £0.744m underspend

	Annual Budget £000	Actuals to P2 £000	Outturn £000	Variance £000
LAC Placements	45,646	2,689	43,419	(2,227)
LAC Placement Services	6,901	724	6,776	(125)
Permanence & Leaving Care	13,153	2581	13,506	354
Safeguarding Service Areas	35,955	6,600	36,185	230
Children's Safeguarding	101,655	12,594	99,887	(1,769)
Education Services	6,868	1,875	7,228	360
Home to School Transport	10,520	194	11,035	516
Targeted Youth Support Service	841	1	841	0
Education	18,228	2,070	19,105	876
Strategic Mgmt. & Business Support	5,752	605	5,900	148
Children's & Education Services	**125,635**	**15,269**	**124,981**	**(744)**

Children's and Education Services - Financial Headlines

The overall position as at Period 2 is forecasting a year end underspend of £0.744m, which is made up of:

- £2.227m Looked After Children (LAC) placement underspend – demand remains relatively stable and placements are 71 below the budgeted figure resulting in a gross underspend of £3.627m. This is reflected in a lower than budgeted recharge to Dedicated Schools Grant (£1.4m) and an underspend against Childrens budget (£2.277m).
- £125k LAC placement services underspend -the Regional Adoption Agency have reviewed their formula for allocating costs across partners which has reduced the contribution to the Agency.
- £354k Permanence and Leaving Care overspends mainly due to SGO placements being 11 higher than budget offset by smaller underspends in Child Arrangement Orders, Adoption Allowances and Supported Accommodation.
- £230k Children Safeguarding overspends based on staff and agency cover within Permanence offset by vacancies in EDS and Children's Commissioning.
- £0.876m Education services pressures mainly relates to pressures in Home to Schools Transport and short breaks.
- £148k overspend in Strategic Management and Business support

- Children's Social Care - Whilst demand for Children's Services has increased post lockdown this has not resulted in an increase in LAC placements due to the effective intervention and support being provided from first point of contact by the service. Increasingly effective commissioning activity with improved processes through liquid logic/Controcc and work with providers also underpins the current position. Despite a 28% increase in the City's child population since 2011 the number of looked after children has not increased at the same rate. There has been a successful reduction in the rate per ten thousand from 131 to 112. In terms of national comparisons between 2008 and 2020 Manchester saw a reduction of 2% in numbers of children and young people in care compared to a 35% increase nationally over same period. Based on current placement numbers remaining stable it is anticipated that the current in-year forecasted growth of £2m can be transferred to the Budget Smoothing Reserve from Children's to support early achievement of savings for financial year 2023/24. £1m of this transfer will be held to mitigate in-year Legal Services pressures.

Education Services - Home to School Transport has pressures of £0.617m and is based on the full-year effect of 2021/22 academic year routes, price increases, and the expectation that the number of routes and children accessing the service will increase in the Autumn term. This is a volatile service area, with difficulties with operator availability and pricing.

Home to School Transport has recently undertaken a service review. This work will help to shape and inform service transformation. It is expected that the review's recommendations will enable the service to manage down the current overspend in this area.

Outstanding Controcc debt (External residential and External Fostering) totals £1.483m at the end of May and is included in the forecast. There is a project team including Contracts, Financial Management, Procurement and an IT contractor to drive down the Aged Debt which meet weekly.

Children's Services – Dedicated Schools Grant

3b. Dedicated School Grant (DSG) - £4.652m forecast overspend

	Annual Budget £000	Actual to Date £000	Projected Outturn £000	Variance £000
Schools Block	197,772	34,142	197,772	0
Central Services Block	3,796	3,796	3,796	0
High Needs Block	101,365	14,244	103,315	1,950
Early Years Block	38,808	0	38,808	0
Recovery Plan	1,350	0	1,350	0
Total in-year	**343,092**	**55,560**	**345,042**	**1,950**
Deficit b/fwd.				**2,702**
Overall DSG position	**343,092**	**55,650**	**345,042**	**4,652**

Dedicated Schools Grant (DSG) in 2022/23 totals £632m, of which £289m is top sliced by the Department for Education (DfE) to pay for academy budgets. This includes additional supplementary grant funding for 2022/23 provided for the high needs block of £4.034m.

The DSG overall in year position is projecting to overspend by £1.950m in-year, primarily due to exponential levels of growth in the Education Health and Care Plans and special schools placements within the High Needs Block. The service is working on a detailed recovery plan for the high needs block, which focuses on managing demand and finding efficiencies that help to combat these pressures.

The early years block is funded to the local authorities on estimated pupil numbers and an adjustment is made to reflect any increases/decreases between January censuses (January 2022 and 2023). The final 2021/22 early years block allocation will be confirmed in July 2022, based on an adjustment for January 2022 census which was estimated in the 2021/22 outturn. For this financial year, an adjustment is expected in July 2022 to reflect the January 2022 census, whilst final early years allocations will be adjusted on the basis of Jan 22 and Jan 23 censuses in July 2023.

The deficit brought forward from previous years is £2.702m and has mainly been driven by overspends against the high needs block, and will need to be recovered in future years as part of the recovery plan.

Adult Social Care / Manchester Local Care Organisation

Adult Social Care and Population Health – Balanced budget

	Annual Budget £000	Outturn £000	Variance £000
Provider Services	29,466	30,221	755
Hospital Teams, Front door and TEC	3,374	3,322	(52)
Integrated Neighbourhood teams	44,057	45,654	1,597

Complex Services (LD, MH, Transition)	87,109	86,815	(294)
Commissioning MLCO	4,571	4,203	(368)
Back office, citywide support & growth	13,153	12,138	(1,015)
Total ASC Aligned Budget MLCO	181,729	182,352	623
MCC – Out of scope Population Health	43,752	43,200	(552)
MCC – Out of scope other	2,634	2,563	(71)
Total ASC and Population Health	**228,115**	**228,115**	**0**

Adult Social Care and Population Health - Financial Headlines

Overview of main variances – Balanced budget

The forecast is a balanced position. The key assumption is that clients in receipt of care at the end of May will remain in care until the end of the financial year. A rebase of the long-term care budgets and income budgets has taken place to reflect 2021/22 outturn activity, inclusive of the progress with Better Outcomes Better Lives (BOBL), with £3.2m offsetting against the £4m BOBL savings target. Financial planning within the BOBL programme is progressing with key practice and commissioning opportunities now identified within Learning Disability and Older People care blocks and work in development on Mental Health and Physical Disability. The forecast assumes an additional £0.7m of savings through the BOBL programme will be delivered by year-end. Recruitment into key staffing roles remains challenging and delivery of the savings opportunities is impacted. It is assumed all current vacancies currently out to recruitment will be filled by end of August, unless stated otherwise; there is full deployment of £12m funding for the annual uplift to the costs of care and this includes Real Living Wage (RLW) increases and that demographics will be spent in full, although no deployment is factored in for the care costs at Period 2. The Adults position continues to carry a significant amount of risk. Given the cost of high-end care packages, demographics funding can be easily eroded. In addition, there is a significant level of reserves built in to support the base budget until BOBL savings are delivered (£5.5m) and other non-recurrent funding, including approx. £2m supporting new care models. A memorandum of understanding is being finalised to ensure financial risk is minimised on health funding from the change from Manchester CCG into the GM ICS arrangements.

The main variances are summarised below:

Provider Services - £0.755m overspend

The pressure on Provider Services is driven in the main by an overspend on In-house Supported Accommodation of £1.558m, offset by underspends on Reablement and the Short-Term intervention team of £500k, Day Centres £205k and Equipment and Adaptations of £43k.

A review of internal Provider Services is underway, which will be informed by a wider commissioning review of supported accommodation and other LD services. The review will determine the number of places and type of accommodation which will be needed in the future. As at period 2, the service is supporting 172 clients across the internal provision with 16 void places available for future clients. Recruitment difficulties continue due to labour shortages in relation to lower graded support worker roles in the In-house Supported Accommodation service. 11 new starters have joined the service since March 2022 but the availability of vacancies across the wider jobs market is a challenge. The number of agency hours recorded is higher than the same period last year, with one less bank holiday as at end of May. An allowance for expected increased agency spend for the jubilee bank holiday has been built into the forecast for period 3. Once the long-standing fire safety remedial works are undertaken there should be some reduction to the overspend but it likely at least £1m will be a budget pressure still to be addressed and is reflective of additional capacity. Issues have been identified with the quality of the fire safety inspections carried out in 2021/22 with delays in supporting the service to progress this. Further assessments regarding the works required are now underway,

The forecast underspend on Reablement and the Short-Term Intervention Team is due to recruitment challenges. Where candidates have been offered roles, a three month start date has built into the forecast. Where posts are only just going out to recruitment, a six month timeframe has been allowed for. Recruitment into these roles will be important to support the BOBL savings. The underspend on day centres is again due to challenges regarding recruitment. Recruitment assumptions are that it will six months before the service will be fully staffed. The Equipment and Adaptations Service is also underspending due to ongoing recruitment challenges. Where possible agency staff have been brought in to cover mainstream vacancies whilst recruitment continues. Managers across all service areas are being supported by dedicated additional HR support. There is further support from Work and Skills and MAES , working with colleges and further education providers to attract potential candidates to vacant roles, particularly grade 4 and grade 2 roles. £1m of the £5.5m planned use of reserves is set aside for further expansion in Reablement and MEAP.

Hospital Teams £52k underspend

There is a projected underspend on Hospital Social Worker budgets of £167k to year end. This reflects the ongoing difficulties in the recruitment and retention of qualified social workers. The reported position assumes posts will be filled by the end of August. This is offset by pressures on the Community Alarm budget due to increased overtime costs in their control room where staff are covering essential shifts due to a combination of unexpected absence and vacancies.

Integrated Neighbourhood Teams £1.597m overspend

The forecast year end overspend is driven by an overspend on residential and nursing budgets of £1.743m, homecare of £244k, direct payments of £187k, offset by underspends on other care budgets of £240k, and staffing of £337k. This reported position is following the re-alignment of income and expenditure budgets and reflects all known activity as at end of May. The reported position allows for £4.5m reserves drawdown in line with the 2022/23 financial plan.

The number of clients supported in residential and nursing provision is 911, which is an increase of 27 from outturn. There are a further 53 clients who remain on the CCG Broadcare system who are yet to undergo a Care Act assessment and could therefore transfer into social care. Costs of £0.582m have been included in the forecast for these clients as there is no further Hospital Discharge Programme (HDP) funding from the CCG to support. The increase in numbers and the removal of HDP funding results in a pressure of £1.743m.

As reported at outturn, client numbers across residential and nursing provision have been on an upward trajectory for the last twelve months, with a net increase of 121 since period 2 2021/22 to the present number of 911. Although the number of clients in residential and nursing provision remains lower than pre-COVID levels (998 at March 2020), numbers coming into the service are not slowing. Further work is underway to understand the drivers for this as community admission into residential and nursing provision is seen by the service as remaining low. Additional bed capacity is now in place across the city which will utilise a D2A (Discharge to Assess) model. The D2A model allows for timely discharge out of hospital into a care setting where a full care assessment regarding the clients' needs can take place. £1.534m of funding (representing 50% of the cost, with Manchester CCG also funding 50%) is fully committed in the projected spend position.

The number of homecare hours commissioned at period 2 is 29,367 which is almost a thousand hours a week higher than the position at the end of March of 28,389 and is the highest level since September 2021. The actual number of clients supported at period 2 is 1,915, which again is the highest level since September. Further work is underway to understand the changes in demand in 2021/22 as well as the current position. The projected outturn for 2022/23 is now therefore higher than the 2021/22 outturn, resulting in a pressure of £244k.

Some pressures remain within the homecare market It should be noted however, that at the end of May, there was a significant push from hospitals to find appropriate packages for clients being discharged before the jubilee bank holiday weekend and most providers picked up packages quickly and safely resulting in only a limited number of individuals having to wait for a package of care. All the main homecare framework providers have now confirmed to the council they offer pay rates to their staff commensurate with the RLW. This will ensure all payments made to providers and backdated to 1st April, will be processed in line with a RLW equivalent increase. Any packages not picked up by the framework providers continue to be picked up by the safety net providers.

The direct payments budgets have been re-aligned as part of the budget exercise referenced above. A pressure of £187k remains on these budgets at this time. Individuals wishing to move from a homecare package to direct payments has dropped considerably, most likely due to homecare providers now on a more stable footing in certain areas of the city. Client numbers peaked at 422 towards the end of 2021/22 for Older Peoples and Physical Disability client numbers but have dropped back to 411 as at period 2. This compares with 400, 12 months ago.

There is a projected underspend on external day care and supported accommodation of £240k as the numbers attending the provision remain lower than before the pandemic. (120 clients at March 2020 and 105 as at May 2022). The position at period 2 is an increase of 16 clients from outturn and demonstrates that clients now have confidence to return to the service. The review of day care services will conclude in the Autumn having reviewed services provided both In-house and externally commissioned. The review will determine what type of service is needed for clients in the future.

There is a projected underspend on the main social worker budgets of £483k offset by pressures on specialist safeguarding roles of £146k. Both areas are struggling to recruit suitably qualified staff, with the main social worker budget only expecting to be fully staffed for the second half of the year and the safeguarding team continuing to use external assessors, until permanent recruitment takes place.

Complex Services

- There is a forecast underspend of £294k across the complex services budgets, which breaks down as
  - an overspend of £152k on external learning disability packages,
  - an underspend of £107k on specialist learning disability social workers,
  - an underspend of £338k on mental health and other complex services.
- The reported position on the Learning Disability externally commissioned packages reflects the budget re-alignment exercise undertaken and referenced above. Planning for savings is progressing and this will need the service to be fully staffed to undertake the necessary reviews of care, working alongside commissioners to agree the best outcomes for clients and their families.
- There has been a net increase of 2 clients since outturn 2021/22, with the number of clients supported now totalling 1,158, which is 37 higher than May 2021. No demographic funding has been allocated to cover this increase in clients at this time.
- The pressure on learning disability care packages is off-set by an underspend of £338k on mental health packages. As reported throughout the previous year, client numbers across mental health services continue to fluctuate and this is on-going into the current year. Numbers have reduced by 15 since outturn across the main care provision of residential, nursing and supported accommodation. These numbers are now 684, compared to 699 at outturn. The figures have been verified by the service from panel funding decisions.

Commissioning

- The commissioning of Extra Care provision has a projected year end underspend of £368k. This is based on occupancy levels for the first few months of the year, with an assumption that all units will be at full occupancy from 1st July, and income levels will be equivalent to 2021/22 levels. Further work will take place to assess income levels as certainty around occupancy levels grows. There is an expectation that the new Extra care units which opened towards the end on the previous financial year will result in reduced numbers of individuals moving into residential care.

Back Office

- Back-office budgets have a projected year end underspend of £1.014m. This reflects:
  - £348k of BOBL investment not yet deployed in 2022/23, as investment plans are under development.
  - £419k of additional Reablement funding,
  - Staffing underspends on Business Support of £193k due to challenges across the recruitment market,
  - Commissioning and back office of £54k on staffing (recruitment delays) and support budgets.

  The most significant budget within Back Office is the support for the implementation of the 2022/23 fee uplift to care providers including NLW and RLW. All providers across all sectors have been asked to support the desired outcome of being a RLW employer. Funding agreements to confirm their support are being received with commissioners actively chasing those who have not yet responded. The total funding set aside to support the sector is £12m. The £12m is modelled to cover providers to pay the NLW (£6m), the NI increase of 1.25% (£1m), 5% towards inflation costs (£1.9m) and then an additional amount to meet RLW pay rates. As at the end of May only £67k of funding has been directly applied to payments made for Apr-Jun, as providers are only now invoicing at their required rate and will be backdating.

  Demographic funding of £1.880m is held within the budget but has not been utilised as at period 2. It is projected to be spent in the coming months as new clients enter the service.

Population Health

- Population Health have a projected underspend of £0.552m at year end. There are underspends on the staffing budgets of £148k due to vacant posts, external activity-based contracts (sexual health and drugs and alcohol) of £103k due to slightly less activity than defined by the contract and £300k for new schemes not yet started. A re-prioritisation of preventative schemes across Population Health is underway as the service start to transition away from a focus on Covid-19 and starts to implement the required changes to support the Marmot objectives.
- The other out of scope services have a projected underspend of £71k and reflect an underspend on the voluntary sector contracts management and Asylum budgets due to slippage on recruitment plans.

Neighbourhoods

5a. Neighbourhoods overall - £3.766m overspend

	Annual Budget £000	Outturn £000	Variance £000
Neighbourhood Management & Support	1,116	1,116	0
Operations and Commissioning	41,498	45,493	3,995
Parks, Leisure, Events and Youth	7,658	7,903	245
Compliance and Community Safety	11,182	10,816	(366)
Libraries, Galleries and Culture	9,349	9,241	(108)
Neighbourhood Area Teams	3,504	3,504	0
Other Neighbourhood Services	310	310	0
SUB TOTAL	**74,617**	**78,383**	**3,766**
Highways	17,771	17,771	0
SUMMARY TOTAL	**92,388**	**96,154**	**3,766**

Neighbourhoods Financial Headlines

Neighbourhood Services - £3.766m forecast overspend and the main variances are set out below:

Operations and Commissioning - £3.995m overspend – largely due to income shortfalls in off street-car parking and Christmas markets.

- £3.025m reduced off street car parking income due to a continued reduction in car park users following the pandemic, current pay on the day usage is around 72% of Pre pandemic levels, whilst season ticket sales are significantly down due to the change to increased hybrid working. Whilst the usage of car parks will be retained under review, there are restrictions on actions that can be taken to increase usage due to the competing priorities of income generation against the Carbon reduction priority.

  Off street parking was brought in house in January 2020, c3 months before lockdowns started, the gross income was c.£14.7m, and costs were c£6.9m to provide an annual budgeted surplus of c£7.8m. This was put together based on car park performance during the joint venture arrangements and savings of net £4.1m were approved as part of the 2021/22 budget setting, this did assume that the parking usage would return to pre covid levels. Tariff changes are due to be implemented at the end of July, and these do better reflect the expectations of commuters and the shift away from season tickets sales, this includes revised early bird options, particularly around times that enables commuters more flexibility. Work is underway to review of both on street and off-street parking charges to ensure they are aligned to each other.

- £1.0m shortfall in Christmas Markets revenue due to the ongoing closure of Alberts Square and reduced scale of markets whilst the square undergoes improvements, work has been undertaken to identify alternative sites during the closure of Albert Square and this has led to Piccadilly Gardens usage being extended. it has not been possible to identify other sites to accommodate further markets and mitigate the loss of Albert Square. The losses due to closure are time limited, and should provide opportunities for increased income generation opportunities once the enlarged space is reopened.
- £187k underachievement of income for markets due to reduced income at Longsight £100k as the market struggle to recover to pre-pandemic levels of custom. The Arndale Market is currently

experiencing a c7% vacancy rate and a projected underachievement of £90k with Church Street experiencing a similar situation £30k. Piccadilly Market continues to benefit from permanent stalls and is forecasted to overachieve income by £33k.

- The advertising portfolio is reporting a balanced budget, the £450k approved savings from the proposed screen in Piccadilly Gardens are not able to be achieved due to redevelopment proposals and these are being mitigated in year through a combination of the annual inflationary uplift applied to the existing contracts and reprofiling of the contract amounts.
- Bereavement Services are projecting £200k higher than budget income this is due to the increased use of Manchester facilities and increased income from memorialisation.
- Fleet Services income is anticipated to be £17k above budget due to increased vehicle hires.

Parks, Leisure Events and Youth - £245k income shortfall

- The loss of income is attributed to the closure of facilities whilst undergoing refurbishment at both the Manchester Aquatic Centre (MAC) (£0.788m) and Abraham Moss (£53k) it is expected that the shortfall is time limited and is forecast to recover once the facilities re-open in 2023/24. This is offset by use of one off non utilisation of £0.6m set aside to support Covid recovery in the current financial year.

Compliance and Community Safety - £366k underspend

- This is due to staffing underspends of £366k due to vacant posts, the service is currently undergoing a redesign and it is anticipated that this will support the service in recruiting to all vacant posts later in the year.

Libraries, Galleries and Culture - £108k underspend

- The £108k underspend on Libraries is due to anticipated staffing underspends for the financial year. Galleries are reporting a balanced budget but there is also a risk of £120k should the claim for business rates discretionary be declined.

5 b. **Homelessness – Breakeven**

Homelessness	Annual Budget	Outturn	Variance
	£000	£000	£000
Singles Accommodation	2,140	2,011	(129)
B&B's (Room only)	4,823	5,330	507
Families Specialist Accommodation	323	274	(49)
Accommodation Total	7,286	7,615	329
Floating Support Service	1,867	1,731	(136)
Dispersed & Temporary Accommodation Management Fee	4,880	5,311	431
Dispersed Accommodation Total	6,747	7,042	295
Homeless Management	1,026	996	(30)
Homeless Assessment & Caseworkers	2,405	2,334	(71)
Homelessness PRS & Move On	1,660	1,232	(428)
Rough Sleepers In reach/Outreach	487	487	0
Tenancy Compliance	161	86	(75)
Homelessness Support Total	5,739	5,135	(604)
Commissioned Services	7,773	7,753	(20)
Commissioned Services Total	7,773	7,753	(20)
Total	27,545	27,545	0

Homelessness Financial Headlines

The reported position for Period 2 is a net breakeven position, despite this forecast position, the Homelessness budgets remain a high-risk area with significant demand pressures.
The Council is now embarking on a refreshed transformation programme as a different approach is vital to unlock some of the most intransigent system issues that are adversely impacting our residents. The focus of the projects is to:

- Increase the prevention of homelessness in Manchester
- Enhance the level of support to people who are at risk or find themselves homeless
- Improve the efficiency and effectiveness of sourcing temporary accommodation
- Provide a series of deliverable property options for the medium term to reduce the rising revenue cost of the service and identify more suitable provision
- Identifying Invest to save models
- Identifying and appraising longer term models of intervention
- Providing an independent and respected local government sector voice, which highlights good practice and positions the Council to access future funding opportunities

The assumptions within the breakeven reported forecast include;

- Numbers in Temporary Accommodation at the end of May remain consistent throughout the year and that any natural growth in demand will be offset by work undertaken in the Transformation Programme to increase prevention.
- Staff vacancies at present will not be filled until October unless start dates have been confirmed, where Agency spend is incurred to cover vacancies this has been assumed to continue at a cost of £149k. Workforce budgets in Homelessness are forecast to underspend by £420k.
- Current cost pressures in B&Bs reduce from September 2022 back to the same level as March 2022.

The key variances are;

Overview of main variances:

- Accommodation. Overspend of £329k, driven by the cost pressure in B&B due to the average cost of placements increasing due to increased demand because of the number of events in and around the City and the significant increase in the numbers supported in hotels since budget setting, the current forecast assumes that the average cost of a placement reduces to the same level as that in March 2022 from September to March. If this reduction is not seen and costs remain in line with May the forecast spend in this area will increase by a further £0.975m. In May 2022 the average number of families placed in B&Bs was 114 with a further 30 families in nightly paid accommodation. The number of singles in B&B in May averaged 132.The flow and availability of dispersed temporary accommodation has decreased and is impacting on the number of families in B&B, the numbers of presentations remain high, with over 11,607 presentations in 2021/22, an average of 967 per month, the average presentations for April and May are 898 (in line with presentations in this period last year). The current net cost of B&B provision is £183k (£9.5m per annum). A key feature of the current transformation programme is focussing on developing a better understanding of the B&B issue in Manchester and to introduce more effective strategies to improve the position
- Dispersed Accommodation. Overspend of £295k. It had been anticipated those past increases in weekly rates would stimulate supply of properties in this area to reduce the reliance on B&B accommodation. However, in recent months providers have withdrawn properties from the scheme to let on the open market as rents across Manchester continue to increase. The current housing subsidy loss to the Council is £137k per week (£7.1m p.a.). Placements at the end of May were 1,625. The District Homes Pilot is now fully operational with a further 400 properties transferred to District Homes management, reducing the housing subsidy loss incurred by MCC by £1.1m per annum.
- Homelessness Support. Underspend of £0.604m. The majority of underspend is in the Private Rented Sector Team. The team face the challenge of an extremely buoyant rental market and rents are rising rapidly across the city and Greater Manchester. As a result, market rents greatly exceed the local housing allowance making properties unaffordable for many households. This pressure means the team are having to place households further away from the city in order to ensure the property is affordable. However, based on current properties being allocated and with the team carrying 4 vacancies the service will underspend by £428k.

5c. **Housing delivery and HRA –**

Housing Revenue Account	Annual Budget	Net Actual Spend	Projected Outturn	Projected Variance from Budget	Movement from P
	£000	£000	£000	£000	£000
Housing Rents	-63,713	(9,796)	(62,497)	1,216	
Heating Income	-681	(19)	(681)	0	
PFI (Private Finance Initiative) Credit	-23,374	0	(23,374)	0	
Other Income	-979	(242)	(979)	0	
Funding From Investment Reserve	0	0	0	0	
Funding from General/MRR Reserves	-14,138	0	(14,138)	0	
Total Income	(102,885)	(10,057)	(101,669)	1,216	
Operational Housing R&M & Management Fee	24,038	60	25,797	1,759	
PFI Contractor Payments	33,041	4,726	33,146	105	
Communal Heating	1,019	-132	1,528	509	
Supervision and Management	6,455	405	6,352	(103)	
Contribution to Bad Debts	640	0	640	0	
Depreciation	18,991	0	18,991	0	
Other Expenditure	1,463	30	1,448	(15)	
Revenue Contribution to Capital Outlay (RCCO)	14,508	0	12,926	(1,582)	
Interest Payable and similar charges	2,730	0	2,730	0	
Total Expenditure	102,885	5,089	103,558	673	
Total HRA	0	(4,968)	1,889	1,889	
Movement in General/MRR Reserves	Opening Balance	Budgeted Adjustment	Forecast Closing Balance	Additional Adjustment	Forecast Closing Balance
	78,052	-14,138	63,914	-1,889	62,025

Housing Revenue Account - Financial Headlines

The HRA budget for 2022/23 included a contribution from reserves of £14.138m in order to balance the 2022/23 HRA budget. The forecast outturn position is that there is an overspend of £1.889m, which is made up as follows:

Overspends of £3.589m:

- A reduction in rental income of £1.216m due to the increased number of void properties and right to buy applications. The number of right to buy applications is higher than originally forecast, the budget assumed that c1.25% of stock would be subject to RTB, whilst currently the actual rate of applications is c£2.2%. Whilst voids are higher than forecast an improvement plan is now in place with the Council's repairs and maintenance contractor in order to reduce the number of voids by Autumn 2022.
- Higher than forecast costs of operational housing of £1.759m. This is mainly due to a combination of delays in delivery of savings that were identified as part the business case for bring housing management back in-house, and legal fees related to disrepair claims. Since bringing Northwards back in house, work has been done to reduce costs, particularly around accommodation costs, and there is work ongoing to review the existing target operating model and once this is concluded it will determine what/if any further savings can be achieved and the timescales for this.

- Increased communal heating charges £0.509m – due to the higher than forecast costs of gas, as part of the budget process heating charges were increased by 20%, and this is not sufficient to cover the actual increased costs of gas. Increased PFI contractor payments £105k – the PFI contracts are increased annually by inflation, the actual increase is higher than what was forecast as part of the budget setting process. Offset by Underspends of £1.7m:
  - Reduced RCCO costs £1.582m – due to slippage in the current years capital programme.
  - Reduced staffing costs £103k
  - Reduced payments to TMOs £15k

As part of the 2022/23 budget process the 30-year business plan was broadly in balance over the life of the plan, there are several issues that could potentially affect this, if mitigating actions are not identified to offset potential increased costs, they include: -

- Current high inflation rates and impact on contract costs
- Additional capital costs for integration of Northwards ICT, Woodward Court and carbon retrofit
- Any delay or reduction in delivery of planned savings.
- Final settlement of commercial details in respect of the repairs and maintenance contract

Given that the HRA is a ringfenced account and cannot be cross subsidised with the General Fund, the implications of the current high inflation rates will have an impact. There are several contracts whereby the contract is uplifted annually in line with inflationary indices, this includes the repairs and maintenance contracts and PFI Contracts. Whilst the 30 year business plan does make assumptions around inflation rates, and the impact on both income and expenditure the assumed rate was not has high as currently forecast. Work is ongoing to model the impact and implications on the business plan of the current high inflation rates. Looking forward there is likely to be additional asks of the HRA in respect of ensuring compliance with the Social Housing Bill and the Social Housing regulator, this will include building safety and decent homes 2. The impact is yet to be determined but it will require increased investment in the social housing stock.

Any surplus/deficit in year must be transferred to/from the HRA reserve. At year end, it is forecast that £16.027m will be transferred from reserves at year end, leaving £62.025m in the HRA General Reserve at the end of the year.

Growth and Development

Growth & Development	Annual Budget £000	Net actuals spend to P2 £000	Projected Outturn £000	Variance from budget £000
Investment Estate	(12,856)	4,093	(12,763)	93
Manchester Creative Digital Assets (MCDA)	0	778	0	0
Growth & Development	160	63	160	0
City Centre Regeneration	1,420	205	1,420	0
Housing & Residential Growth	1,167	(53)	1,074	(93)
Planning, Building Control & Licensing	(1,053)	(746)	(1,053)	0
Work & Skills	1,644	479	1,644	0
Manchester Adult Education Service (MAES)	0	(725)	0	0
Our Town Hall Project	0	289	0	0
Total Growth & Development	**(9,518)**	**4,383**	**(9,518)**	**0**

Growth and Development - Financial Headlines

Overview of main variances – Breakeven

Growth & Development is forecasting a net breakeven position, and the main variances are as follows: -

- **Investment Estate - overspend of £93k**

  Whilst the investment estate is only forecasting a small overspend of c£93k, there are some larger variances that make up the deficit and the largest deficit is a loss of income from Manchester Central of £0.764m, this is the rent income from the Convention centre and is forecast to be lower than budget due to event bookings not yet returning to Pre Covid levels.

  Other pressures include, lower than forecast income for The Arndale Centre £118k, Wythenshawe Town Centre £154k and Barclays Computer Centre £142k. In addition to these reductions in rent, there is also a forecast increased requirement of c£0.5m for bad debt provision to cover potential non-payment issues across the estate as tenants try to recover from Covid.

  The overspending areas are offset by staffing underspends of £108k, and additional income from across the estate (including Industrial sites, let land, Shops and Car Parks) of c£1.5m, this does include c£0.4m to reflect in year rent reviews.

- **Housing & Residential Growth – underspend £93k**

  A reduction in staffing costs of £73k, and £20k in running costs.

Corporate Core – Breakeven

Chief Executives	Annual Budget £000	Outturn £000	Variance £000	Movement since £000
Coroners and Registrars	2,253	2,149	(104)	0
Elections	1,082	1,082	0	0
Legal Services	9,684	9,414	(270)	0
Communications	3,233	3,213	(20)	0
Executive	955	955	0	0
Legal, Comms, Democratic Statutory Sub Total	17,207	16,813	(394)	0
Policy, Performance and Reform	14,200	14,280	80	0
Corporate Items	1,215	1,245	30	0
Chief Executives Total	**32,622**	**32,338**	**(284)**	**0**

Corporate Services	Annual Budget £000	Outturn £000	Variance £000	Movement since £000
Finance, Procurement, Commercial Gov.	7,806	7,721	(85)	0
Customer Services and Transactions	20,010	19,980	(30)	0
ICT (Information & Communication Technology)	14,921	15,009	88	0
Human Resources & OD (Organisational Development)	4,212	4,212	0	0
Audit, Risk and Resilience	1,384	1,354	(30)	0
Capital Progs, Operational Property, Facilities	15,665	16,006	341	0
Corporate Services Total	**63,998**	**64,282**	**284**	**0**
Total Corporate Core	**96,620**	**96,620**	**0**	**0**

Corporate Core - Financial Headlines

Corporate Core Forecast to Breakeven and the key variances are: -

- Coroners and Registrars £104k underspend due to additional income from civil ceremonies and registration of births and deaths.
- Legal Services £270k underspend due to underspends on employee budgets due to timing of recruitment to vacancies £470k, offset by £200k lower than forecast external income.
- Policy, Performance and Reform £80k overspend due to £283k reduced income on project activity , partially reduced by employee underspends of £153k due to timing and recruitment to vacancies.
- Finance, Procurement and Commercial Governance £85k underspend on employee budgets due to timing and recruitment to vacancies.
- Customer Services and Transactions £30k underspend – due to forecast staffing underspends.
- ICT - £88k overspend due to additional security contracts, in light of the heightened cyber security risks.
- Capital Programmes - £341k overspend due to, part year increased security costs for Wythenshawe Hall £141k, increased rates £54k delayed Operational Property savings £90k, security and other costs across the estate £69k, running costs in Facilities Management £92k partially offset by £55k underspend on employee budgets in Facilities Management and £50k increased income in capital programmes.

Directorate Savings Achievement - £4.447m medium risk

	Savings Target 2022/23			
	Low Risk £000	Medium Risk £000	High Risk £000	Total £000
Children's Services	292	0	0	292
Adult Social Care	560	3,326	0	3,886
Neighbourhoods Directorate	829	0	0	829
Homelessness	117	0	0	117
Growth and Development	59	0	0	59
Corporate Core	1,533	1,121	0	2,654
Total Budget Savings	**3,390**	**4,447**	**0**	**7,837**

Savings - Headlines

£7.837m approved savings, £4.447m (57%) are considered medium risk as follows:

£4.447m is medium risk as follows:

- Corporate Core - £1.121m. Operational property £0.821m and ICT £300k have both been mitigated this year due to a combination of underspends elsewhere in the service and an approved draw down from reserve for Operational Property. The operational property savings are time limited and 2023/24 is the final year before the savings come out in 204/25 following the reopening of the Town Hall.
- Adults - £3.326m. The detailed BOBL financial plan is being developed and the service are working to deliver the savings and cost reductions. Mitigation has been identified in-year from higher than budgeted income from means tested client contributions to care costs. A total of £0.7m is assumed achieved as part of the BOBL programme in 2022/23 with the remainder of the savings expected later on in the year and into 2023/24 financial years.