Executive - 14 September 2022
Resource and Governance Scrutiny - 6 September 2022

Appendix 1 – Financial position 2022/23 P4

Revenue Budget Monitoring: 2022/23 Period 4

Financial Executive Summary

- The Council is forecasting to overspend against its budget for 2022/23 by £20.1m, an adverse movement of £15.6m since P2.
- This overspend is predominantly due to a forecast £9.5m to fund the proposed employer's 2022/23 pay award offer and energy inflationary pressures of £3.9m. The remainder of the overspend relates to £3.6m of funding needed for price inflation, a £3.7m shortfall in income in the Neighbourhoods directorate mainly for income shortfalls and likely reduced Christmas market revenue as the identification of alternative sites to offset the loss of Albert Square is unlikely. This is offset by a forecast £0.8m underspend in Adult Social Care.
- Approved Directorate savings in 2022/23 total £13.4m of which £5.5m will be mitigated through the use of reserves. Of the remainder £3.2m are forecast to be delivered as planned and £4.7m considered medium risk. Officers are working to address these to ensure all savings are achieved or mitigated on recurrent basis.

Overall MCC Financial Position

Integrated Monitoring report Period 4 total variance

	Original Budget	Revised Budget	Forecast Outturn	Variance	Movement since last report
	£000	£000	£000	£000	£000
Total Available Resources	**(690,599)**	**(699,078)**	**(699,144)**	**(66)**	**0**
Total Corporate Budgets	140,652	137,821	154,603	16,782	15,217
Children's Services	129,020	125,458	125,413	(46)	700
Adult Social Care	184,618	185,877	185,091	(786)	(1,338)
Population Health	42,476	42,568	42,568	0	552
Neighbourhoods Directorate	91,704	92,388	96,064	3,676	(90)
Homelessness	27,346	27,215	27,215	0	0
Growth and Development	(9,752)	(9,268)	(8,637)	631	631

Corporate Core	84,535	97,020	96,970	(50)	(50)
Total Directorate Budgets	**549,947**	**561,258**	**564,684**	**3,426**	**405**
Total Use of Resources	**690,599**	**699,078**	**719,287**	**20,209**	**15,622**
Total forecast over / (under) spend	**0**	**0**	**20,143**	**20,143**	**15,622**

- ## Corporate Budgets

Corporate Budgets £16.782m overspend

Planned Use of Resources	Annual Budget £000	Projected Outturn £000	Projected Variance from Budget £000	Movement from Last Report £000
Other Corporate Items	66,149	66,090	(59)	(59)
Contingency	1,060	1,060	0	0
Inflationary Budgets and Budgets to be Allocated	22,352	39,288	16,936	15,324
Apprentice Levy	1,029	1,029	0	0
Levies	37,915	37,920	5	8
Historic Pension Costs	7,316	7,216	(100)	(57)
Transfer to Budget Smoothing Reserve	2,000	2,000	0	0
Total Corporate Budgets	**137,821**	**154,603**	**16,782**	**15,217**

Corporate Budgets - Financial Headlines

- Inflationary Budgets and Budgets to be Allocated overspend of £16.782m is due to:
  - The proposed employer's pay award offer for 2022/23 is £1,925 on all NJC pay points 1 and above and results in an overall average increase of 7%, and an associated cost of £15.9m. The budget assumptions were based on a 3% increase (£6.4m). This has resulted in a pressure of £9.5m. The pay award is subject to agreement with Trade Unions and represents the minimum likely cost.
  - Following an analysis of utility costs and budgets, it is expected that these inflationary costs will be greater than the contingency sums set aside by £7.416m, due to further worldwide increases in energy costs and the timing of our energy contract renewals.
  - The Consumer Prices Index (CPI) rose by 10.1% in the 12 months to July 2022, up from 9.4% in June.
- The Bad Debt provision for Council wide debt pre-2009 has been reduced by £59k due to payment plan arrangements being secured.
- Historic pension costs have underspent by £100k (1.37%) due to a reducing number of recipients.

Corporate Resources £66k over-achievement

Resources Available	Annual Budget £000	Projected Outturn £000	Projected Variance from Budget £000	Movement from Last Report £000
Retained Business Rates	(158,337)	(158,337)	0	0
Council Tax	(208,965)	(208,965)	0	0
Other Specific Grants	(112,638)	(112,704)	(66)	0
Business Rates Grants	(77,216)	(77,216)	0	0
Dividends	0	0	0	0
Use of Reserves	(141,922)	(141,922)	0	0
Total Corporate Resources	**(699,078)**	**(699,144)**	**(66)**	**0**

Corporate Resources - Financial Headlines

- Other specific grants - £66k for Council Tax Subsidy which was confirmed at a higher level than budgeted for.
- Business Rates Collection as at the end of July is 39.22% (excluding account credits) which represents a return to pre covid levels and is an improvement on 29.68% in 2021/22, 25.89% in 2020/21 and 37.55% in 2019/20.
- Council Tax Collection at end of July is 31.74% which compares to 31.81% in 2021/22, 31.74% in 2020/21 and 33.47% in 2019/20.
- £110m 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 84.72% compared to a target of 95%.
- £4.5m (14.8%) 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, this excludes council tax and business rate arrears.

Children's Services

3a. Children's and Education Services - £46k underspend

	Annual Budget £000	Actuals to P4 £000	Outturn £000	Variance £000	Movement since last report
LAC Placements	45,465	11,691	42,215	(3,250)	(1,022)
LAC Placement Services	7,248	2,093	7,313	65	190
Permanence & Leaving Care	13,153	5,993	13,507	354	1
Safeguarding Service Areas	35,608	13,063	35,733	125	(105)

Children's Safeguarding	101,474	32,841	98,768	(2,706)	(936)
Education Services	6,873	2,777	7,485	612	252
Home to School Transport	10,520	1,552	12,598	2,078	1,563
Targeted Youth Support Service	841	68	841	0	0
Education	18,233	4,397	20,924	2,691	1,815
Strategic Mgmt. & Business Support	5,752	1,454	5,721	(31)	(179)
Total Children's & Education Services	**125,458**	**38,692**	**125,413**	**(46)**	**700**

Children's and Education Services - Financial Headlines

Children's Services returned £2m of their initial budget to support the overall in year pressures and contribution to their 2023/24 savings as part of the Period 2 monitor. This forecast outturn position is therefore against the lower revised budget of £125.458m.

The overall position as at Period 4 is forecasting a year end underspend of £46k, which is made up of:

- £3.250m Looked After Children (LAC) placement underspend mainly due to placements being 73 below budgeted figure, in part driven by a movement of Children into Special Guardianship Orders (SGOs). There is an increasing demand for solo and specialised placements, and the need for more flexible and responsive provision for children. The service is developing a proposal for SMT consideration investment (£0.652m) into solo placements and in turn reduce demand for high cost emergency placements.
- £65k LAC placement services overspend is due to pressures on non-staffing budgets (i.e. travel and premises) required to support a growing workforce cohort to ensure Caseworker caseloads remain at a safe and manageable level.
- £354k Permanence and Leaving Care overspends mainly due to Special Guardianship Orders placements numbers being 5 higher than budget and half of SGO's having an average unit cost £220 per week. The increase is in line with strategy to increase SGO placements and therefore lower the number of LAC placements. There is also additional spend on Section 17 Welfare for Children with Disability placements offset by underspends in Adoption Allowances, Child Arrangement Orders and No Recourse to Public Funds.
- £125k Children Safeguarding overspends based on staff and agency cover within Permanence offset by vacancies in Children's Commissioning and Children's Social Work Teams.
- £2.691m Education services pressures mainly relates to increased pressures in Home to Schools Transport (£2.078m) and short breaks (£0.612m).
- £31k underspend in Strategic Management due to underspend on staffing offset by small overspend in Strategic Business Support Teams.
- The position reflects inflationary pressures being managed within the Directorate's existing budget relating to External Residential (£158k) and short breaks (£19k) placements.

The £0.7m adverse movement since last reported month relates to:

- £1.815m in Education Services relating to additional Short Breaks (£252k) and Home to School Transport costs (£1.563m). The service are reviewing short breaks in order to manage this increase down. Home to School Transport has been affected by price increases, due to the cost of fuel and a tight supplier market.
- The is a £0.937m favourable movement in Children's Safeguarding mainly due to the early achievement of placement savings.
- £179k of COMF funding has been applied to support the costs of delivering 'Our Year', reducing the impact on the budget.

Outstanding debt for External residential and External Fostering in Controcc, totals £1.210m at the end of July and is included in the forecast. The aged debt quantum also includes £157k invoices 'held but ready for payment'. The position is expected to continue to improve, reflecting the hard work of the Commissioning Team.

Children's Services – Dedicated Schools Grant (DSG)

3b. Dedicated School Grant - £3.525m forecast overspend

	Annual Budget £000	**Actual to Date £000**	**Projected Outturn £000**	Variance £000	Movement since last report £'000
Schools Block	197,772	66,254	197,772	0	0
Central Services Block	3,868	1,074	3,868	0	0
High Needs Block	101,365	30,707	102,188	823	(1,127)
Early Years Block	38,808	13,076	38,808	0	
Recovery Plan	1,350	0	1,350	0	
Total in-year	**343,163**	**111,111**	**343,987**	**823**	**(1,127)**
Deficit b/fwd.				**2,702**	
Overall DSG position	**343,163**	**111,111**	**343,987**	**3,525**	

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 reduction in the DSG overspend from period 2 is a result of work on the recovery plan, including a proposed reduction in the joint funded placements.

The DSG overall in year position is projecting to overspend by £0.823m, primarily due to high levels of growth in the number of 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 deficit brought forward from previous years is £2.702m, mainly driven by overspends against the high needs block. This will need to be recovered in future years as part of the recovery plan. If the Local Authority are unable to manage down the deficit Manchester will be required to take part in the DfE sponsored Safety Valve project. Savings targets have been agreed for local authorities with the highest dedicated school grant deficits as part of Safety Valve Arrangements.

Adult Social Care / Manchester Local Care Organisation

4a. Adult Social Care and Population Health – £0.786m underspend

	Annual Budget £000	Outturn £000	Variance £000	Movement since last report £000
Provider Services	28,958	30,060	1,102	347

Hospital Teams, Front door, and TEC	3,086	2,989	(97)	(45)
Integrated Neighbourhood teams	46,346	45,460	(886)	(2,483)
Complex Services (LD, MH, Transition)	89,631	89,031	(600)	(306)
Commissioning MLCO	6,591	6,286	(305)	63
Back office, citywide support & growth	8,731	8,760	29	1,044
MCC – Other	2,534	2,505	(29)	42
Total ASC	185,877	185,091	(786)	(1,338)
MCC – Out of scope Population Health	42,568	42,568	0	552
Total ASC and Population Health	**228,445**	**227,659**	**(786)**	**(786)**

Adult Social Care - Financial Headlines

Overview of main variances – £0.786m underspend

The forecast is an underspend of £786k. The key assumptions underpinning the forecast are:

- Clients in receipt of care at the end of July will remain in care until the end of the financial year. Client numbers are down year to date in key areas which is contributing to the improved position.
- The forecast assumes delivery of £3.3m of the £4m savings through the Better Outcomes Better Lives (BOBL) programme.
- It is assumed all current vacancies will be filled between September and January, based on information from service managers and HR.
- There is full deployment of £12m funding for the annual uplift to the costs of care, including for the Real Living Wage (RLW) increases. At the end of period 4, £5.9m has been allocated. This is based on invoices and payment files received from providers across the service to date. It also assumes that the currently unallocated demographics budget will be spent in full. No deployment for demographics is factored in for the care costs at Period 4, as new starters to the service have been less than the number of leavers.

The Adults position has improved with key reductions in demand flowing through into the care budgets. Older Peoples residential and nursing budgets have seen a significant decrease in recent months. This needs to be caveated with a forecast pressure on the Discharge to Assess or D2A beds which is detailed below. Client numbers across Learning Disability services and Mental Health are also lower demonstrating reduction in demand, a key feature of our budget management strategy. A significant HR programme has been aimed at recruitment to counter the difficulties with the national shortage of social workers and wider labour market challenges impact on roles in care provision.

The main forecast variances are summarised below:

Provider Services - £1.102m overspend

The pressure on the Provider Services budget is driven by an overspend on In-house Supported Accommodation of £1.911m, offset by underspends on Reablement, Short term intervention teams (£516k), Day Centres (£213k) and Equipment and Adaptations of £77k. The most significant change from period 2 is an increase in staffing costs of c£350k on In-House supported accommodation. This is for increased agency hours to cover emergency placements at two sites, staff with Covid, and some double-cover as staff are promoted internally and are trained-up to into new roles with agency staff filling their old positions. There are also additional hours for health and safety requirements relating to fire safety as this work was delayed. This has been escalated corporately to ensure the right support is in place to complete the necessary surveys and associated capital works.

As reported previously, 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 delivery of the outcomes of the review are feeding into the budget setting process for 2023/24 .As at period 4, the service is supporting 175 clients across the internal provision, which is an increase of 3 from March 2022, with 13 void places available for future clients (not currently staffed). Recruitment difficulties continue due to labour shortages in lower graded support worker roles. The number of agency hours paid is higher than the same period last year, with recruitment into permanent roles not happening at the same pace as increased agency usage. The forecast underspend on Reablement and the Short-Term Intervention Team also relates to the ongoing recruitment challenges. Recruitment into these roles remains important to support the BOBL savings and the overall demand management strategy.

Hospital Teams £97k underspend

The £97k underspend includes an underspend of £218k on the hospital social worker budgets offset by a pressure of £121k across Community Alarms and Assistive Technology budgets. The underspend reflects revised recruitment assumptions, with start dates for new recruits pushed back to December. (Previously September). This accounts for the change since period 2. Allowance has been made within the hospital underspend to support the continuation of the 'home from hospital' service (£40k), which supports vulnerable adults to settle back safely into their own homes following a hospital stay. The staffing underspend 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 and increased fuel costs from 'call outs' to clients.

Integrated Neighbourhood Teams £0.887m underspend

The forecast underspend reflects underspends on residential and nursing budgets of £1.083m, other care budgets of £296k, and staffing of £101k. These underspends are offset by pressures on the homecare budget of £286k and direct payment budgets of £308k. The continued growth in the use of direct payments is a positive position and reflective of strength-based assessment and encouraging independence. The reported position reflects all known activity as at end of July. The reported position allows for £5.5m reserves drawdown to support the profile of the delivery of the BOBL savings, in line with the 2022/23 financial plan.

The number of clients supported in residential and nursing provision (all ages) is 829, which is a decrease of 55 from outturn, a significant reduction in demand. There are a further 11 clients who remain on the CCG Broadcare system who are yet to undergo a Care Act assessment and may therefore transfer into social care. Costs of £385k 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 upward trajectory of client numbers in 21/22 has reversed, with numbers now significantly below the 21/22 outturn position (829 at period 4, compared with 884 at outturn) - It should be noted that the number of clients in residential and nursing provision still remains lower than pre-COVID levels of 998 at March 2020). 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/ICS also funding 50%) was budgeted for this provision. As at period 4, there is a projected pressure of £777k estimated due to continued use of spot purchased beds in addition to the block booked beds. As per the agreement with the CCG, 50% of the pressure is applicable and is reflected in the reported position.

The number of homecare hours commissioned at period 4 is 30,347 a week which is 980 hours a week higher than the position at period 2 and 1,958 higher than outturn. (6.9%). There has now been 4 months of increase, reversing the trend of the second half of 21/22. The actual number of clients supported at period 4 is 1,948, resulting in a pressure of £286k.

There is a forecast overspend on direct payments of £308k at period 4, which is an increase of £295k from period 2 and reflects a net increase of 6 new clients from period 2. Client numbers peaked at 422 towards the end of 2021/22 and are now 417 as at period 4. This compares with 401, 12 months ago.

There is a projected underspend on external day care and supported accommodation of £296k as the numbers attending the provision remain lower than before the pandemic. (120 clients at March 2020 and 105 as at July 2022). The position at period 4 is an increase of 16 clients from outturn. The review of day care services will conclude in the Autumn having reviewed services provided both In-house and externally commissioned. As reported under Provider Services, the In-house day care service is underspending due to difficulties in recruitment. The review will determine what type of service is needed for clients in the future and the most appropriate operating model.

There is a projected underspend on the main social worker budgets of £314k offset by pressures on specialist safeguarding roles of £213k. Some progress has been made with recruitment into social worker roles, and agency staff have been recruited where necessary to cover front-line roles. This results in a reduction in the underspend of £23k from period 2. Recruitment assumptions for specialist roles within the MASH have been scaled back to December with agency staff covering essential roles whilst recruitment is underway, at an additional cost.

Complex Services

- There is a forecast underspend of £600k across the complex services budgets, which is an increase in the underspend of £306k from period 2. The forecast breaks down is as follows:
    - an overspend of £27k on external learning disability packages,
    - an underspend of £214k on specialist learning disability social workers,
    - an underspend of £413k on mental health and other complex services.
- The increase in the underspend from period 2 is due to revised staffing recruitment assumptions of £107k and reduced spend on both the Learning Disability and Mental Health cohort due to reduced client numbers.
- There has been a net decrease of 20 clients since period 2, with the number of clients supported now totalling 1,138. (At outturn there were 1,156). Although overall client numbers are down, the introduction of new more complex placements has driven up the unit costs, resulting in limited change to the overall financial position.
- The pressure on learning disability care packages is off-set by an underspend of £413k on mental health packages. Client numbers are down by 10 from period 2. Numbers are now 674, 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 £305k which is a reduction of £63k from period 2 and reflects increased homecare hours within the Extracare settings.

Back office and deployment of funding for planned investment

- Back-office and the Council - other budgets collectively have a projected year end balanced position. This includes:
    - £348k of BOBL investment unlikely to be deployed in 2022/23, as investment plans are predicated on recruitment (challenges as outlined above)
    - £419k of additional Reablement funding, above the level originally budgeted for,
    - Staffing underspends on Business Support of £215k due to challenges across the recruitment market,
    - Commissioning and back office of £106k on staffing (recruitment delays) and support budgets

    These are offset by pressures:
    - Savings of £0.688m out of a £3.886m total now considered unlikely to be achieved in year.
    - D2A bed pressure as referenced above £400k.

  The main change from period 2 is the unachieved saving of £688k and the pressure on D2A beds of £400k. Work is ongoing across the Directorate to achieve the savings in full.

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. (c£12m). The £12m is modelled to cover providers to pay the NLW (£6m), the NI increase of 1.25% (£1m), 5% towards general inflation costs (£1.9m) and then an additional amount to meet RLW pay rates. As at Period 4, £5.9m has been drawn down based on invoices and payment files received from providers to date, with the balance committed for future months.

Demographic funding of £1.880m is held within the budget but has not been utilised as at period 4. The overall forecast assumes that this will be spent by the end of the year, but the net number of entrants vs leavers in the year has resulted in no call on this funding to date, a positive position and in line with the demand management strategy.

Population Health

4b. Population Health – Balanced Budget

	Annual Budget £000	Outturn £000	Variance £000	Movement since last report £000
Public Health Children's Services	4,222	4,222	0	0
Early Years- Health Visitors	10,676	10,676	0	0
Wellbeing	4,658	4,648	(10)	5
Sexual Health	8,292	8,217	(75)	(11)
Drugs and alcohol	8,989	8,965	(24)	(1)
Other	3,813	3,813	0	300
MHCC - Public Health Core Staffing	1,918	1,737	(181)	(33)
Contribution to Reserves	0	290	290	290
Total Population Health	42,568	42,568	0	552

Population Health

- Population Health are projecting to balance with authorisation in place to carry forward the 2021/22 underspend which was held in a dedicated reserve in line with the conditions of the former public health grant. There are underspends on the staffing budgets of £181k due to vacant posts, and other areas due to reductions in activity-based contract costs. A re-prioritisation of preventative schemes across Population Health is underway and the Director of Public Health has confirmed that spend will be maximised in 22/23. This is reported in the 'other' line above. Any slippage in this area will result in a request to carry the projected underspend forward into 2023/24 to support with new initiatives, particularly where these relate to delivering the Marmot objectives.
- The Marmot task group are currently considering the arrangements for 'kick-starter' schemes for priority areas with the potential for invest to save measures funding from a £2m investment fund (£1m Public Health grant reserve and £1m COMF).

Neighbourhood Services

5a. Neighbourhoods - £3.676m overspend

	Annual Budget £000	Outturn £000	Variance £000	Movement since last reported £'000's
Neighbourhood Management & Support	1,116	1,116	0	0
Operations and Commissioning	41,498	45,403	3,905	(90)
Parks, Leisure, Events and Youth	7,658	7,903	245	0
Compliance and Community Safety	11,182	10,816	(366)	0
Libraries, Galleries and Culture	9,349	9,241	(108)	0
Neighbourhood Area Teams	3,504	3,504	0	0
Other Neighbourhood Services	310	310	0	0
SUB TOTAL	**74,617**	**78,293**	**3,676**	**90**
Highways	17,771	17,771	0	0
SUMMARY TOTAL	**92,388**	**96,064**	**3,676**	**90**

Neighbourhoods Financial Headlines

Neighbourhood Services - £3.676m forecast overspend and the main variances are set out below:

- Operations and Commissioning - £3.905m overspend – largely due to income shortfalls in off street-car parking and Christmas markets, market revenue forecast has reduced as the identification of alternative sites to offset the loss of Albert Square is unlikely.
- £2.935m reduced off street car parking income due to a continued reduction in car park users following the pandemic. Current payment for on the day usage is around 72% of pre pandemic levels, whilst season ticket sales are only at around 23% of pre pandemic levels, and this is mainly due to the change to increased hybrid working of office workers. We will continue to monitor the usage of car parks, and wherever possible seek to increase usage, but this must be balanced against Council's priority for carbon reduction. This is not always a consideration for the other car operators in the City and they are able to be more flexible in terms of implementing changes, and particularly in response to improved commercial considerations. There is a marginal improvement of £90k from period 2 due to a reduction in the expenditure forecasts for legal costs, compensation, and advertising.

  Off street parking was brought in house in January 2020, c.3 months before lockdowns started, the gross income budget is £14.7m, and costs are £6.9m to provide an annual budgeted surplus of £7.8m. The budget was established at this level 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 has also commenced to review the Councils on street and off street car parking, as well as review revenues from enforcement activities including the bus lane enforcement and reserves forecasts. The review will include assessing the impact of the moving traffic offences enforcement, proposed new bus lane enforcement and a review of both on street and off-street parking charges to ensure they are aligned to each other. All enforcement income must be reinvested into improving transport infrastructure and costs of delivering the service.

- £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 whilst Piccadilly Gardens usage has been extended, it has not been possible to close Deansgate 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 function has a savings target of £450k (£225k in 2021/22 and additional £225k in 2022/23). This cannot be achieved as originally planned due to planning restrictions. Income from other advertising contracts is linked to CPI which has increased above expectations. This has enabled the underachieved savings to be mitigated within the service on an ongoing basis. The budget will be rebased for 2023/24 to remove the unachievable target.
- Bereavement Services are projecting £200k higher than budget income this is due to the ongoing high demand for 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) (£0.792m) 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.

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	Movement from last report
	£000	£000	£000	£000
Singles Accommodation	2,140	2,011	(129)	0
B&B's (Room only)	4,600	5,102	502	(5)
Families Specialist Accommodation	323	280	(43)	6
Accommodation Total	7,063	7,393	330	1

Floating Support Service	1,899	1,823	(76)	60
Dispersed & Temporary Accommodation Management Fee	4,900	5,299	399	(32)
Dispersed Accommodation Total	6,799	7,122	323	28
Homeless Management	1,026	996	(30)	0
Homeless Assessment & Caseworkers	2,625	2,552	(73)	(2)
Homelessness PRS & Move On	1,640	1,190	(450)	(22)
Rough Sleepers In reach/Outreach	487	487	0	0
Tenancy Compliance	161	107	(54)	21
Homelessness Support Total	5,939	5,332	(607)	(3)
Commissioned Services	7,414	7,368	(46)	(26)
Commissioned Services Total	7,414	7,368	(46)	(26)
Total	27,215	27,215	0	0

Homelessness Financial Headlines

The reported position for Period 4 is a net breakeven position, despite this forecast position, the Homelessness budgets remain a high-risk area with significant demand pressures.

The Council is has embarked 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 July 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 November unless start dates have been confirmed, where Agency spend is incurred to cover vacancies this has been assumed to continue at a cost of £24k. 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.

Overview of main variances:

- Accommodation. Overspend of £330k, driven by the cost pressure in B&B - the average cost of placements is 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 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 the forecast spend in this area will increase by a further £0.975m. At the end of July 2022 the number of families placed in B&Bs was 151 with a further 45 families in nightly paid accommodation. The number of singles in B&B in July was 383. 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. In 2021/22 there were over 11,607 presentations, an average of 967 per month, the average presentations for April to July 2022/23 are 928 (in line with presentations in this period last year). The current net cost of B&B provision is £188k (£9.8m 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 £323k. It had been anticipated that past increases in weekly rates would stimulate the 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.) , this is the shortfall in Housing Benefit income that the Council can claim when compared to the rents paid, the housing benefit income received is 90% of the 2011 Local Housing Allowance.. Placements at the end of July were 1,632. The District Homes Pilot is now fully operational with a further 400 properties transferred to District Homes management, the housing subsidy loss incurred by the Council would be £1m higher per annum if the 400 properties being managed by District Homes were managed by the Council.
- Homelessness Support. Underspend of £0.607m. 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 £450k.

5c. Housing delivery and HRA

Housing Revenue Account	Annual Budget	Net Actual Spend to date	Projected Outturn	Projected Variance from Budget	Movement from last report
	£000	£000	£000	£000	£000
Housing Rents	(63,713)	(21,938)	(62,562)	1,151	(65)
Heating Income	(681)	(76)	(681)	0	0
PFI (Private Finance Initiative) Credit	(23,374)	(5,843)	(23,374)	0	0
Other Income	(979)	(387)	(979)	0	0
Funding From Investment Reserve	0	0	0	0	0
Funding from General/MRR Reserves	(13,188)	0	(13,188)	0	0
Total Income	(101,935)	(27,704)	(100,826)	1,151	(65)
Operational Housing R&M & Management Costs	24,038	5,598	25,868	1,830	71

PFI Contractor Payments	31,942	9,349	32,534	592	(487)
Communal Heating	1,019	(66)	1,528	509	0
Supervision and Management	6,604	1,285	6,665	61	1,100
Contribution to Bad Debts	640	(102)	538	(102)	(102)
Depreciation	18,991	0	18,991	0	0
Other Expenditure	1,463	204	1,448	(15)	0
Revenue Contribution to Capital Outlay (RCCO)	14,508	0	10,865	(3,643)	(2,061)
Interest Payable and similar charges	2,730	0	2,730	0	0
Total Expenditure	101,935	16,268	101,167	(768)	(1,441)
Total HRA	0	(11,436)	383	383	(1,506)
Movement in General/MRR Reserves	Opening Balance	Budgeted Adjustment	Forecast Closing Balance	Additional Adjustment	Forecast Closing Balance
	78,052	(13,188)	64,864	(383)	64,481

Housing Revenue Account - Financial Headlines

The HRA budget for 2022/23 included total expenditure of c£102m, and this includes forecast capital investment of c£33m. As part of the approved budget a contribution from reserves of £13.188m was approved to ensure that this capital investment can be funded. The forecast outturn position is that there is an overspend of £383k, which will be funded from reserves and is made up as follows:

Overspends of £4.143m:

- Rent collection continues to hold at 99.3% and is a slight increase from the 99% as at end of quarter 2 2021/22. There is an adverse impact of £1.151m due to the current number of void properties (2.2% against a budget of 1% void loss) and right to buy sales (2.18% against 1.25% budgeted). An improvement plan is in place and is actively reducing the level of void properties, with a corresponding, positive increase in the number of lettings to residents and we expect this trend to continue.
- The operational cost of the service presents a current financial pressure of £1.830m, which includes, £465k in legal disrepair costs and £200k council tax on void properties. The performance metrics on these pressures are improving but still present a risk. Savings of £1.523m were realised in 2021/22 and a new operating model is being created in tandem with a review of the HRA, of which the operating costs are a key dimension
- Due to the significant increase in energy costs, the communal heating charge of £0.509m –present a pressure in year. Going forward, the communal charges will be reviewed, alongside the 2023/24 charges as part of the budget setting process.
- Increased PFI contractor payments £0.592m – Approximately £0.85m was paid to S4B in respect of Elizabeth Yarwood Court, and inflation on all three contracts has been higher than anticipated, which is not offset as the PFI credits remain unchanged. These costs are partly mitigated by c£450k arising from joint insurance savings at Brunswick. It is expected that the site will be sold as part of a future development, and at that time a receipt will come back into the HRA to offset this expenditure.

- Supervision and Management, additional costs of £61k. A mix of costs including ICT recharges, Right to Buy (RTB) plans and Energy Performance Certificates (EPCs), offset by staff vacancies.

Offset by Underspends of £3.76m:

- Reduced RCCO costs £3.643m – based on the latest estimates of capital spend being lower than budgeted
- Reduced contribution to bad debts £102k
- Reduced payments to Tenant Management Organisations (TMO) £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 and rents failing to keep up with these 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 and will need to be covered through rents. There are several contracts which are uplifted annually in line with inflationary indices, this includes the repairs and maintenance contracts and PFI Contracts. The business plan does assume an inflationary uplift, but there is also an assumed inflationary uplift to the tenants' rents and based on current forecasts this could be c11% for 2023/24. Mindful of members discussions around the 4.1% uplift in 2022/23, and the current Government consultation on whether any rent increases should be subject to a maximum cap for 2023/24 work is currently being undertaken to identify what the minimum rent increase would be to cover increased costs and ensure a sustainable HRA.

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 has to be transferred to/from the HRA reserve. At year end, it is forecast that £13.571m will be transferred from reserves at year end, leaving £64.481m in the HRA General Reserve at the end of the year.

Growth and Development – £0.631m Overspend

Growth & Development	Annual Budget £000	Projected Outturn £000	Variance from budget £000	Movement from last report £000
Investment Estate	(12,856)	(12,176)	680	587
Growth & Development	160	160	0	0
City Centre Regeneration	1,041	1,077	36	36
Housing & Residential Growth	1,167	1,157	(10)	83
Planning, Building Control & Licensing	(674)	(749)	(75)	(75)

Work & Skills	1,894	1,894	0	0
Total Growth & Development	**(9,268)**	**(8,637)**	**631**	**631**

Growth and Development - Financial Headlines

Overview of main variances – £0.631m Overspend

Growth & Development is forecasting a net overspend of £631k, and the main variances are as follows: -

- **Investment Estate - overspend of £0.680m**
  - The biggest issue to date is a reduction in expected income from Manchester Central for 2022-23 based on their latest forecasts – this amounts to £0.764m.
  - Manchester Airport £180k - a reduction in turnover rent (turnover based on previous years)
  - The Arndale £118k - levels of income from retail units remain at relatively low levels in comparison to previous years
  - Wythenshawe Town Centre – Shopping Centre £154k - forecast income is still below budget – the purchase of the property in the near future should resolve the level of income to be received for previous years, and the likely income in future years
  - Barclays Computer Centre £142k - there is no income forecast at present – options are being considered in light of the purchase of the Town Centre Shopping Centre (above).
  - Increased need for bad debt provision, estimated at c£0.6m - rent reviews and the ongoing impact of the pandemic are impacting on the forecast level of bad debt that will be required
  - These are offset by staffing savings of £380k, and additional income from across the estate (including Industrial sites, Let land, Shops and Car Parks) of c£0.9m, largely following a series of rent reviews.
- **City Centre Regeneration – overspend of £36k -** staffing related
- **Housing & Residential Growth – underspend £10k -** Savings on staffing costs are offset by additional land registry fees and professional fees relating to the Moston Commercial review.
- **Planning, Licensing and Building Control – underspend £75k -** Planning income is currently below target, but staffing underspends mean that the forecast drawdown from the Planning reserve is £156k (budget £326k). There is a forecast underspend of £75k due to staffing savings in Building Control and the Planning and Infrastructure teams.
- **Manchester Adult Education Service (MAES) – breakeven -** The current forecast is that £190k will be required from the reserve, but this is subject to confirmation as to the level of Talk English funding.
- **MCDA (Manchester Creative Digital Assets) – breakeven -** The service was given a budget of £250k for 2021/22 to offset the income reduction because of the pandemic, this has been removed for 2022-23. MCDA have indicated that they will require further support for 2022-23, the level isn't known at this stage. Any further support would be subject to appropriate due diligence and the necessary approvals.

Corporate Core – £50k underspend

Chief Executives	Annual Budget £000	Outturn £000	Variance £000	Movement since last report £000
Coroners and Registrars	2,253	1977	(276)	(172)

Elections	1,482	1,482	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	17,607	17,041	(566)	(172)
Policy, Performance and Reform	14,173	14,173	0	(80)
Corporate Items	1,215	1,245	30	0
Chief Executives Total	**32,995**	**32,459**	**(536)**	**(252)**

Corporate Services	Annual Budget £000	Outturn £000	Variance £000	Movement since last report 000's
Finance, Procurement, Commercial Gov.	7,806	7,681	(125)	(40)
Customer Services and Transactions	20,010	19,828	(182)	(152)
ICT (Information & Communication Technology)	14,921	15,258	337	249
Human Resources & OD (Organisational Development)	4,239	4,239	0	0
Audit, Risk and Resilience	1,384	1,354	(30)	0
Capital Progs, Operational Property, Facilities	15,665	16,151	486	145
Corporate Services Total	**64,025**	**64,511**	**486**	**202**
Total Corporate Core	**97,020**	**96,970**	**(50)**	**(50)**

Corporate Core - Financial Headline

Corporate Core £50k underspend and the key variances are: -

- Coroners and Registrars £276k underspend due to additional income of £200k, mainly in relation to increased numbers of weddings and citizenship ceremonies, and an £76k underspend on legal costs within Coroners.
- Legal Services £270k net underspend, mainly due to £470k underspends on employee budgets as the service has faced challenges recruiting to vacancies partly offset by reduced external income due to a reduced level of service provision to Salford Council. It also includes a forecast £1m overspend in relation to children's services which is being funded by a transfer from reserves in 2022/23 as approved by Executive on the 22 July 2022. The service has developed a plan around a recruitment drive to reduce external costs to mitigate this going forward.
- Policy, Performance and Reform - there is reduced income on project activity £183k as there has been a loss of European funding and access to other funding does not cover staffing costs at 100%. This is offset by employee underspends of £183k due to vacancies.
- Finance, Procurement and Commercial Governance £125k underspend on employee budgets due to vacancies.
- Customer Services and Transactions £182k underspend due to and staffing underspend of £30k and from additional income from clamping vehicles across the city which are illegally parked £152k. This income does not fall under the Traffic Management Regulation Act and is therefore un-ringfenced income.
- ICT - £337k overspend due to additional security contracts, in light of the heightened cyber security risks and increased technical resources due to the increased requirements for support from the desktop and helpdesk services.

- Capital Programmes - £486k overspend due to, part year increased security costs for Wythenshawe Hall £141k, increased rates £54k, increased metered water charges £100k delayed Operational Property savings £240k, security and other costs across the estate £69k, running costs in Facilities Management £92k partly offset by £160k underspend on employee budgets in Facilities Management and £50k increased income in capital programmes.

Future risks /opportunities

Increased license costs of Microsoft Endpoint Licenses – to be funded through contingency in 2022/23, considered as part of the budget process for 23/24 onwards.

Directorate Savings Achievement - £4.447m medium risk

	Savings Target 2022/23					
	Gross Revenue Savings	Use of Reserve	Net Revenue Savings	Low Risk (delivered or expected to be delivered)	Medium Risk (delivery risk or mitigated)	High Risk (undelivered resulting in overspend)
	£000	£000	£000	£000	£000	£000
Children's Services	292	0	**292**	292	0	0
Adults and Social Care	9,386	(5,500)	**3,886**	560	3,326	0
Neighbourhoods	829	0	**829**	604	225	0
Homelessness	117	0	**117**	117	0	0
Growth and Development	59	0	**59**	59	0	0
Corporate Core	2,654	0	**2,654**	1,533	1,121	0
Total Budget Savings	13,337	(5,500)	**7,837**	3,165	4,672	0

Savings - Headlines

£7.837m approved savings, £4.672m (60%) are considered medium risk as follows:

- Adults - £9.386m gross savings. The detailed BOBL financial plan is operational, and the service are working to deliver the savings and cost reductions. Recurrent mitigation has been identified in-year from higher than budgeted income from means tested client contributions to care costs and this will address any shortfall from BOBL in year. In addition, the reported position allows for £5.5m reserves drawdown to smooth achievement of BOBL savings in line with the 2022/23 financial plan. ASC also has a further £0.7m of Directorate savings but expectation is now limited that it can be of delivered as part of the BOBL programme in 2022/23 and as such is not built into the outturn forecast.
- Corporate Core - £1.121m. ICT £300k which has been mitigated this year across supplies and services. These will be delivered in 2023/24 as part of the printer and telephony rationalisation. Operational Property £0.821m mitigated this year through an approved draw down from the reserve. The operational property savings are time limited and 2023/24 is the final year before the savings come out in 2024/25 following the reopening of the Town Hall. A plan is being developed to ensure the delivery of the savings in 2023/2024
- Neighbourhoods - £225k Piccadilly Gardens advertising target will not be achieved as planned. This has been mitigated on an ongoing basis by additional advertising income