Executive –15th February

Revenue Budget Monitoring Report: 2022/23 Period 9

Financial Executive Summary

- The Council is forecasting to overspend against its budget for 2022/23 by c£3.5m. The main drivers of the overspend are the pay award and commercial activities. These are offset by underspends in Adult Social Care, Growth and Development and Corporate Core, and a redistribution of the business rates levy surplus of £1.5m.
- The position has improved by c£4.1m since the last report to Executive. This is predominantly due to a £2.6m reduction in corporate costs due to a decrease in inflationary requirements and the release of contingency, an increase in the business rates levy surplus of £1.5m, and a £0.660m reduction in Neighbourhood Services due to staffing underspends and an improvement in the net position of the Local Investment Fund. These improvements are partially offset by an increased overspend in Childrens Services of £0.640m mainly due to increased LAC placement costs.
- Whilst workforce budgets are forecast to be underspent, they include the deployment of an increasing amount of agency resource (currently running at £1.6m per month).
- Approved Directorate savings for 2022/23 total £7.837m. Of these £1.346m (17%) are medium risk and £6.491m (83%) are low risk in that they are on track to be achieved.

Overall MCC Financial Position

Integrated Monitoring report Period 9 total variance

Summary P9	Original Budget	Revised Budget	Forecast Outturn	Variance	Movement since last report (P7)
	£000	£000	£000	£000	£000
Total Available Resources	**(690,599)**	(706,031)	**(707,541)**	(1,510)	(1,469)
Total Corporate Budgets	140,652	108,650	113,841	5,191	(2,624)
Children's Services	129,020	130,060	130,647	587	640
Adult Social Care	227,094	189,587	187,775	(1,812)	(91)
Public Health		42,685	42,685	0	0
Neighbourhoods Directorate	91,704	101,454	103,969	2,515	(660)
Homelessness	27,346	28,475	28,475	0	0
Growth and Development	(9,752)	(8,772)	(9,397)	(625)	(101)
Corporate Core	84,535	113,892	113,084	(808)	197
Total Directorate Budgets	**549,947**	**597,381**	**597,238**	**(143)**	**(15)**
Total Use of Resources	**690,599**	**706,031**	**711,079**	**5,048**	**(2,639)**
Total forecast over / (under) spend	**0**	**0**	**3,538**	**3,538**	**(4,108)**

Corporate Resources £1.5m 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)	(159,836)	(1,499)	(1,499)
Council Tax	(208,965)	(208,965)	0	0
Other Specific Grants	(119,591)	(119,631)	(40)	0
Business Rates Grants	(77,216)	(77,216)	0	0
Dividends	0	0	0	0
Use of Reserves	(141,922)	(141,922)	0	0
Fortuitous Income	0	29	29	29
Total Corporate Resources	(706,031)	(707,541)	(1,510)	(1,469)

Corporate Resources - Financial Headlines

- Retained business rates - Business rates returned levy - c£1.5m. There was a redistribution of the surplus held in the national levy account in 2022/23. The national amount has been estimated at £100m which equates to £1.499m for Manchester based on SFA distribution; paid in 2022/23.
- Other specific grants – this remains at £40k overachievement: £66k over-achievement on the Council Tax Subsidy; £24k Covid Test and Trace Support grant income for 2021/22 being higher than accrued; £50k under-achievement on the Education Services Grant following confirmation of the final grant allocation.
- Fortuitous income: Royal Mills rental income relating to 21/22 was £29k less than accrued.
- Business Rates Collection as at the end of December is 80.89% (excluding account credits) which represents a return to pre covid levels and is an improvement on 75.12% in 2021/22, 64.41% in 2020/21 and 78.21% in 2019/20.
- Council Tax Collection at end of December is 70.91% which compares to 71.71% in 2021/22, 72.07% in 2020/21 and 74.04% in 2019/20. The reduced collection could relate to the Cost-of-Living Crisis and financial difficulties faced by residents, this will be closely monitored.
- £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 96.16%, against the target of 95%.
- £4.7m (16.2%) 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.

Corporate Budgets

Corporate Budgets £5.191m 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	66,037	(112)	0
Contingency	293	0	(293)	(293)
Inflationary Budgets and Budgets to be Allocated	(6,052)	0	6,052	(2,342)
Apprentice Levy	1,029	1,029	0	0
Levies	37,915	37,902	(13)	0
Historic Pension Costs	7,316	6,873	(443)	11

Transfer to Budget Smoothing Reserve	2,000	2,000	0	0
Total Corporate Budgets	108,650	113,841	5,191	(2,624)

Corporate Budgets - Financial Headlines

The forecast £5.191m overspend is detailed below:

- Other corporate items include the transport levy and capital financing which are both forecast to be on budget.
- The Bad Debt provision for Council wide debt pre-2009 is also shown here. Before April 2009 the bad debt provision was provided centrally. After then it is provided by directorates. There is a forecast release from provision of £112k due to payment plan arrangements being secured.
- £600k was provided as unallocated contingency for issues which arise in year. £307k has been allocated leaving a balance of £293k to be released.
- Inflationary budgets are expected to overspend by £6.052m as follows:
    - The employer's pay award offer for 2022/23 has now been agreed at a flat £1,925 on all NJC pay points 1 and above, an overall average increase of 7%, costing £13.6m in total. The budget was based on a 3% increase (£6.4m). This has resulted in additional costs of £7.3m for 2022/23, a reduction of £2.2m from the initial high-level estimate previously reported. The reduction reflects the higher level of vacancies, and the recharging of some pay costs funded by external charges and capital schemes where applicable.
    - A reduction of pay costs of £0.627m for the reversal of the 1.25% NI rise announced by the Government in October, effective November 22.
    - The budget allowed for £11.5m of anticipated utility cost increases. Following the government's Energy Bill Relief Scheme, announced 21 September the latest forecast is £11.686m. The projected overspend of £186k has reduced by £0.690m since P7.
    - Price inflation budgets were set at £4.5m and the latest estimate is £3.7m; an underspend of £0.765m which is a favourable movement of £1.652m since P7. The improvement mainly relates to care market uplifts which can be covered within available directorate budgets, reducing the call on inflation by £1.5m.
- Historic Pension Costs: Forecast to underspend by £443k (6.1%) due to a reducing number of recipients.
- Note, the Consumer Prices Index (CPI) rose to 10.5% in the 12 months to December 2022, a decrease of 0.2% since November.

Children's Services

3a. Children's and Education Services - £0.587m overspend

	Annual Budget £000	Net Actual spend to date £000s	Outturn £000	Variance £000	Movement since last report
LAC Placements	45,751	27,314	44,362	(1,389)	1,136
LAC Placement Services	7,533	6,352	7,788	255	59
Permanence & Leaving Care	13,165	10,081	13,628	464	303
Safeguarding Service Areas	37,789	29,952	37,811	21	(754)
Children's Safeguarding	104,237	73,699	103,589	(648)	745
Education Services	7,056	5,662	7,394	338	(166)
Home to School Transport	11,891	6,920	12,694	803	(52)
Targeted Youth Support Service	841	812	841	0	0
Education	19,788	13,393	20,929	1,141	(218)
Strategic Mgmt. & Business Support	6,035	4,438	6,129	94	112

Children's & Education Services	**130,060**	**91,530**	**130,647**	**587**	**639**

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 monitoring. This forecast outturn position is therefore against the lower revised budget of £130.060m.

The overall position as at Period 9 is forecasting a year end overspend of £0.587m, which is made up of:

- £1.389m LAC placement underspend - mainly due to placements being 145 below the budgeted number, including a significant net reduction of 11 placements in External Fostering since period 7. Health contributions have increased this period and off-set some of the increased spend in External Residential placements and costs. The service is progressing with (£0.8m) of investment into specialist provision and an increase in provision (reopening of Olaniyan, and 4 additional placements by Spring 2023). This alongside capacity to accelerate those providers seeking Ofsted registration is expected to help mitigate some of the significant pricing pressures in the external market.
- £255k LAC placement services overspend is due to pressures on travel and premises costs for the Leaving Care Service and needing to fill vacancies in the Fostering Service by agency to ensure Caseworker caseloads remain at a safe and manageable level.
- £464k Permanence and Leaving Care overspends mainly due to an overspend against the Section 17 preventative budgets, this is partially offset by No Recourse to Public Funds and Unaccompanied Asylum Seeker Children's grant.
- £21k Safeguarding Service overspend. Family Hubs has supported the Early Years and helped to off-set Localities and Care4Children social work agency pressures. The Deputy DCS and Heads of Localities are reducing dependence on agency whilst further promoting recruitment.
- £1.141m Education services pressures mainly relates to increased pressures in Home to Schools Transport (£0.803m) and short breaks (£403k). Home to School Transport costs have increased due to a combination of fuel prices, increased eligible children and a shortage in provision in the market pushing prices up. Both services are currently being reviewed. 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 overspends in both areas. A comprehensive review of 'short-breaks' offer is being undertaken to strengthen decision making and review arrangements.
- £94k Strategic Management and Business Support overspend related to additional commissioning costs.

The £0.639m movement since period 7 relates to:

- £1.136m additional LAC placement costs, brought about by an increase in unregistered placements and costs.
- £59k adverse movement in LAC placement services to fund the initial project membership costs for the Fostering (Mockingbird) network.
- £303k favourable movement in Permanence and Leaving Care with an increase in Supported Accommodation placements
- £0.754m favourable movement in Children's Safeguarding Areas due to use of Family Hubs grant and following updates to Localities recruitment assumptions.
- £218k favourable movement in Education Services due to reduction in Short Breaks and Home to School Transport pressures through deep-dive reviews.
- £112k adverse movement in Strategic Management and Business Support – this mainly relates to additional commissioning costs in the main relating to International Recruitment programme.
- Controcc is a Social Care financial system, the level of outstanding debt for External residential and External Fostering in Controcc, totals £1.3m at the end of December 2022 and is included in the forecast.

Children's Services – Dedicated Schools Grant

3b. Dedicated School Grant (DSG) - £0.761m in – year underspend leading to an overall cumulative deficit £1.748m

	Annual Budget	Actual to Date	Projected Outturn	Variance	Movement since last report
	£000	£000	£000	£000	£000
Schools Block	197,772	164,121	197,717	(55)	(167)
Central Services Block	3,868	3,504	3,930	62	(120)
High Needs Block	103,155	83,041	102,896	(259)	(151)
Early Years Block	39,972	28,395	39,464	(508)	(226)
Total in-year	**344,768**	**279,061**	**344,006**	**(761)**	**(664)**
Deficit b/fwd (£2.702m less school clawback £193k)				**2,509**	
Overall DSG position	**344,768**	**279,061**	**344,006**	**1,748**	**(664)**

Dedicated Schools Grant (DSG) in 2022/23 totals £633m, 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 in year position is showing an **underspend £0.761m,** reflecting updates across all four blocks, including early years updated with recent activity data and further progress that has been made in relation to the high needs budget recovery programme. The overall position, the cumulative deficit shows a **£1.748m deficit**, an improvement of £0.664m since period 7.

The primary reason for the overall DSG deficit is the brought forward deficit from 2021/22, driven by overspend against the high need block (HNB). The service is working through a three-year HNB recovery plan, focusing on managing demand and identifying efficiencies to help combat these pressures.

The Local Authority is cognisant that if they are unable to manage down the deficit it will be required to take part in the DfE sponsored Safety Valve project. Under this project savings targets and recovery plan would need to be agreed with the DfE.

Adult Social Care / Manchester Local Care Organisation

Adult Social Care - £1.812m forecast underspend

Service Area	Approved Revenue Budget	Actual to date	Outturn (total)	Annual Over/ (Under) spend	Movement from Last Report
	£'000	£'000	£'000	£'000	£'000
Long Term Care:					
Older People/Physical Disability	45,288	33,208	46,307	1,019	(35)
Learning Disability	56,151	36,150	55,448	(703)	(1,012)
Mental Health	24,504	13,188	23,991	(513)	67
Disability Supported Accommodation Service	15,520	13,225	17,561	2,041	(157)
Investment funding	1,990	- 99	0	(1,990)	(783)
Sub Total	**143,453**	**95,672**	**143,307**	**(146)**	**(1,611)**
Short Term Care:					
Reablement/Short Term Intervention Team	6,906	4,643	6,357	(549)	38
Short Breaks/Respite/Day Centres/Neighbourhood Apartments	5,528	3,199	5,170	(358)	(131)
Equipment & Adaptations	4,491	4,775	4,243	(248)	(263)
Carers/Voluntary Sector	3,348	2,340	3,339	(9)	48
Sub Total	**20,273**	**14,957**	**19,109**	**(1,164)**	**(308)**
Infrastructure and Back Office:					
Social Work teams	17,140	11,498	16,190	(950)	(65)
Safeguarding/Emergency Duty	3,332	2,333	3,498	166	(77)
Brokerage teams	1,477	1,188	1,441	(36)	(38)
Management and support	3,913	5,676	4,230	318	2,009
Sub Total	**25,862**	**20,695**	**25,359**	**(502)**	**1,829**
Total	**189,587**	**131,324**	**187,775**	**(1,812)**	**(90)**

Overview

The forecast is an underspend of £1.812m, an increase in the underspend of £90k from Period 7. The financial savings applied to the budget have been managed and client activity levels are within the budget assumptions. The combination of cashable savings and cost avoidance indicates that the BOBL programme is helping citizens to achieve independence and better outcomes, whilst preventing, reducing and delaying demand into adult social care. These achievements have been supported by operating a strengths-based approach and implementing an improved short-term offer, operating model and improved commissioning practices. Progress remains impacted by recruitment and the work continues to fill posts with tailored recruitment initiatives.

The government announcement of the winter discharge fund is to be deployed on relieving the pressures across hospital services through the resilient discharge programme. Detailed winter planning arrangements have been implemented. The reported position allows for utilisation of £0.743m of the winter discharge funding to offset the pressure on discharge to assess to support timely discharge of clients either back to their own homes with support or into a residential setting. The next three months are a critical period and it is expected all of the funding available (£2.2m direct to the Council and £3.8m through the GM ICS) will be deployed in accordance with the plan agreed with partners.

Key considerations within the forecast include:

- The forecast includes the full delivery of the £4m savings target through expected income levels and the delivery of effective demand management;

- Staffing budgets are forecast to have minimal recruitment between now and the end of the year, unless confirmed start dates are agreed with service managers. NB: there are currently 70 (headcount) undergoing pre-employment checks;
- £2m of one-off income returned to the council from external accountants following an audit of unspent direct payments and covering a number of financial years;
- The return of one-off unspent direct payments and other variations detailed results in £4.5m of the £5.5m system support funding from reserves, not being required in year. A review of the reserves position will take place in the 2023/24 as part of the outturn review;
- There is up to 80% deployment of £12m funding for the annual uplift to the costs of care, including for the Real Living Wage increases (£8.759m to date, with more to be confirmed for P10), £2.787m of corporate price inflation has been released in 2022/23; and
- Through effective demand management, all of the demographics budget has been released into the reported position.

The key financial risks are:

- The financial position on Disability Services Accommodation Service DSAS (£2.041m forecast overspend). Whilst mitigated in the 2023/24 budget assumptions, there is £0.800m risk in relation to waking nights costs;
- Uptick on activity over the remainder of the financial year might impact on 2023/24 budget assumptions. Winter discharge arrangements may also impact the position but the forecast reflects that any increase in discharges will be covered by funding from central government in 2022/23; and
- There is significant work underway to fully programme manage the delivery of the proposed saving programme ahead of 2023/24.

Long Term Care

Overall the forecast on long term care is a £0.146m underspend (increase of £1.611m from Period 7). The key pressure is within DSAS (£2.041m overspend). There is a pressure across residential and nursing budgets of £500k (driven by higher than budgeted nursing costs) and of £305k on homecare due to increasing client numbers. This is offset through £2m of one-off income returned to MCC from external accountants following an audit of direct payments (£695k on Learning Disability and £1.300m on Older people); releasing the full allocation of demographics funding (£1.880m) and unutilised investment funding (£0.419m) and an underspend on Mental Health (£0.513m) and overspend on Other Care (£0.461m). The return of one-off unspent direct payments and other variations detailed allows use of £4.5m of the £5.5m smoothing reserve to be deferred and remain protected for a further year to support the proposed savings programme 2023-26, of which £1.5m is within the long term care budget.
The number of clients supported in residential and nursing provision (all ages) has decreased by 5 since Period 7 to 825, a decrease of 136 from the start of the year. A significant number of nursing packages commissioned are above normal care package rates and there is a forecast overspend in older people nursing of £0.861m and a further pressure of £111k on <65 nursing provision. Practice are reviewing all cases and package arrangements.

The Resilient Discharge Pathway 3 D2A beds is part of the 2022/23 budget strategy and clearly interfaces with the budget for residential and nursing care. The forecast outturn is £0.176m overspend. Gross costs are £6.3m which is funded £2.2m recharge to GM ICB (as per the risk share agreement), £1.7m winter discharge fund and net MCC budget of £2.2m. In the year to date 293 citizens have been through the D2A pathway and there are currently 115 patients in provision and being monitored on a 4 week D2A funded pathway. For packages started after the 1 April 2022, 11 clients have gone home independent after the D2A intervention and 44 with a package of care.

At period 9 there is a 41 net increase in client numbers supported through homecare packages from period 7. The weekly number of homecare hours commissioned at period 9 is 33,338 which is 2,127 hours a week higher than period 7 and overall is 4,949 hours a week higher than the start of the year (17.43%). This is the highest increase in hours recorded and work is underway to check the validity of the hours recorded, as a number of clients are changing care companies as the homecare market fluctuates across the city. The forecast financial position is an overspend of £0.305m reflecting actual payments to date, known commitments for the remainder of the year and forecasting practice to reflect that on average up to 20% of commissioned hours are not drawn down.

The commissioning of Extra Care provision has a projected year end underspend of £201k which reflects homecare hours within the Extracare settings. There are now 707 rental based Extracare units with 11 designated as short term apartments. Occupancy on the extracare provision is approximately 94%. Extracare provision is a key component of the BOBL cost avoidance strategy.

Within complex care, there has been a net reduction of 6 Learning Disability clients at period 9 from period 7 to 1,124 which has decreased from 1,156 at the start of the year. The main driver for the change in the learning disability forecast is the return of £0.695m of unused direct payments from the external accountants. On Mental Health, client numbers have reduced by 3 from period 7 to 669, and 30 since the start of the year with a corresponding forecast underspend of £0.513m. However, as reported last time there has been substantial change in the mental health cohort supported across the year. The volatility regarding starters and leavers has stabilised, with a net change in 2 across residential and nursing provision (6 leavers and 4 starters), and a decrease of 1 in supported accommodation.

Client numbers within In-house Supported Accommodation are 174 and there are currently 14 voids. This is unchanged from period 7. The overspend forecast is £2.041m. It is estimated that £0.830m of the overspend is accounted for by agency usage on waking nights due to fire safety considerations. The agency spend forecast to the end of the year is now £7.4m (was £5.8m at outturn). Condition survey work has been completed and a programme of capital works is in development and when complete will lead to reduced agency support in the longer term. The frontline posts in Disability Supported Accommodation Services, along with Day Services, are currently held as part of the wider Provider Services Review. This means that there will be a relatively small shift in terms of new recruits into the service, and as a result of natural turnover, overall agency usage is likely to increase.

Short Term Care

Overall the forecast on short term care is an underspend of £1.164m. This mainly reflects the vacancy position on Reablement (£0.548m) and forecast underspend within Short Breaks/Respite/Day Centres/Neighbourhood Apartments (£358k), Equipment and adaptations of (£248k) with other minor net underspend variations (£10k). Overall an increase in forecast underspend of £308k from period 7. This is due to unsuccessful recruitment to specialist posts in Equipment and Adaptations and a revised forecast resulting in additional fee income.

There is a forecast underspend within Short Breaks/Respite/Day Centres/Neighbourhood Apartments (£0.358m) due to reduced numbers of clients accessing services. As referred to above, there is also a forecast underspend on equipment and adaptations (£0.248m).

Infrastructure and Back Office

Overall, the forecast underspend is £0.502m a decrease of £1.829m from period 7.

The forecast underspend on social work teams is (£0.950m) comprising £384k on the hospital teams, £289k on INT teams and £277k on specialist learning disability teams. Overall this equates to 64.2 FTE, of which 26.5 FTE have been appointed to and are going through pre-employment checks, or are being held for Social Work apprentices. All remaining vacancies are out to recruitment. The majority are covered by agency in the interim.

The forecast overspend on safeguarding (£0.166m) relates to the pressure on best interest assessments in relation to Deprivation of Liberty Standards. The 2023/24 proposed budget assumption include addressing the budget gap.

Management and support is forecast to overspend by £0.318m which includes:

- Release of £1.553m investment funding and £348k of BOBL investment
- Reduction in deployment of the smoothing reserve (£3.000m) as outlined above;
- £450k of BCF funding, due to careful consideration of recurrent deployment priorities and recruitment delays;
- An underspends on Business Support of £420k due to challenges across the recruitment market. To mitigate this, all vacancies are now being pooled and will be advertised together in a campaign to attract more candidates; and
- An overspend of £89k across back office and strategic management areas.

Public Health

4b. Public Health – Balanced Budget

	Annual Budget £000	Net actual spend to date £000	Outturn £000	Variance £000	Movement since last report £000
Public Health Core Staffing	2,387	1,459	2,015	(372)	(181)
Public Health - Children's Services	4,222	3,040	4,204	(18)	(18)
Early years - Health Visitors	10,676	8,007	10,676	0	0
Drugs and Alcohol	8,989	5,601	8,934	(55)	1
Sexual Health	8,295	5,504	8,032	(263)	(137)

Wellbeing (includes ZEST)	6,058	3,498	5,960	(98)	(142)
Other	2,059	(255)	1,066	(993)	(1,005)
Contribution to Reserves	0	0	1,798	1,798	1,484
Total	42,685	26,855	42,685	0	0

Public Health

- Public Health are projecting to balance, with a planned contribution to the Public Health reserve of £1.798m for investment in the Making Manchester Fairer programme. There are underspends on the staffing budgets of £372k due to vacant posts. Wherever it is appropriate to do so, external funding is being maximised to free-up mainstream funding. There are underspends on the activity-based contracts for sexual health and drugs and alcohol due to reduced numbers accessing services. A re-prioritisation of preventative schemes across Public Health is underway and the Director of Public Health has confirmed that spend will be maximised in 2022/23. Negotiations with Health regarding 'Agenda for Change' uplifts are being finalised and budget is held within the 'other' line above until details are transacted. Any slippage in 'other' 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 £3m investment fund.

Neighbourhoods

5a. Neighbourhoods overall - £2.515m overspend

	Annual Budget £000	Net actual spend to date £000	Outturn £000	Variance £000	Movement since last report £000
Neighbourhood Management & Support	1,178	1,002	1,228	50	50
Operations and Commissioning	44,505	40,747	47,469	2,964	(259)
Parks, Leisure, Events and Youth	9,479	8,843	10,302	823	150
Compliance and Community Safety	11,672	6,653	10,671	(1,001)	(276)
Libraries, Galleries and Culture	10,010	8,232	10,010	0	(59)
Neighbourhood Area Teams	3,623	2,136	3,442	(181)	(181)
Other Neighbourhood Services	274	209	274	0	0
SUB TOTAL	**80,741**	**67,822**	**83,396**	**2,655**	**(575)**
Highways	20,713	6,143	20,573	(140)	(85)
SUMMARY TOTAL	**101,454**	**73,965**	**103,969**	**2,515**	**(660)**

Neighbourhoods - Financial Headlines

Neighbourhood Services - £2.515m forecast overspend and the main variances are set out below:

Operations and Commissioning - £2.964m overspend – largely due to income shortfalls in off street car parking and markets

- Off St Parking - £1.971m reduced off street car parking income against budget. This is an improvement of £116k from period 7, due to increased car park usage from August onwards and the projection assumes that this level of use is maintained. As part of looking to mitigate the reduced income, new tariffs were implemented before Christmas. These better reflect the new parking behaviours and the shift away from season tickets sales, and includes revised early bird options, particularly around times that enables commuters more flexibility. The impact of the revised rates is not yet reflected in the income figures as it is too early to determine the impact. Work has also commenced to review the Councils on street and off street car parking, as well as review revenues from other enforcement activities including the bus lane enforcement. 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 and complement each other. All enforcement income must be reinvested into improving transport infrastructure and costs of delivering the service.

- £0.9m shortfall in Christmas Markets, this is £100k improvement since last period and is due to the increased footfall to this years markets, there are still some costs to be incurred and these are forecast to be in line with budgets. The losses due to closure are time limited and discussions are ongoing with members about the use of Piccadilly Gardens for 2023.
- £249k underachievement of income due to the following markets not achieving the forecast income because of ongoing lower footfalls, Sunday Market Car Boot (£137k), Gorton (£86k), Special Events (£29k) and Markets Rights (£26k) not recovering post pandemic. Church Street Market is experiencing a higher number of vacant stalls resulting in a (£33k) income shortfall. These are partially mitigated because Piccadilly Market continues to benefit from permanent stalls and is forecasted to overachieve income by £31k, an overachievement at Longsight £31k due to increased income and an improvement in the employee forecast together with a lower than forecast utility costs. The improvement since period 7 is mainly due to improving positions on the Sunday Market Car Boot and Longsight Market.
- An underspend of £32k on Waste and Recycling due to a small saving on the 2021/22 levy.
- CCTV £200k overspent due to a change in internal recharges.
- Bereavement Services are projecting £220k higher than budget income this is due to the ongoing high demand for Manchester facilities and increased income from memorialisation.
- Pest Control is forecasting a net £60k overachievement of income due to increased commercial business.
- Fleet Services is anticipated to be £61k above budget due to a combination of increased income from vehicle hires, salary savings and a reduction in workshop rents. (£61k), this is offset by residual in year costs following the closure of Manchester Fayre.
- Grounds Maintenance has a net saving on employee costs of £44k.

<u>Parks, Leisure Events and Youth</u> - £0.823m overspend

- The overspend is made up of (£0.678m) Leisure overspend, a (£165k) overspend on Youth Services and a £20k underspend in Parks. The leisure overspend is due to income losses at the Manchester Aquatic Centre (MAC) car park and Abraham Moss, along with the additional costs financial support to the operators of Broadway Leisure Centre which has increased by £150k since period 7. The loss of income was attributed to the closure of facilities whilst undergoing refurbishment at both the MAC and Abraham Moss it is expected that the MAC shortfall is time limited and is forecast to recover once the facilities re open in July 2023 and Abraham Moss. These are offset by use of one off non utilisation of (£0.6m) set aside to support Covid recovery in the current financial year.
- Youth Services is forecasted to overspend by £165k due to additional costs of support for Wythenshawe Active Lifestyle Centre.
- Parks are forecasting a small employee underspend of £20k.

<u>Compliance and Community Safety</u> - £1.001m underspend

- This is mainly due to net forecasted staffing underspends with the improvement since period 7 being mainly attributable to the opportunity to fund staff from income as appropriate work was undertaken.

<u>Libraries, Galleries and Culture</u> – Balanced Budget

- Libraries are now reporting a balanced budget which is an improvement of £59k on period 7 as revised recruitment assumptions offset income losses and one-off running costs in 2022-23.

<u>Neighbourhood Teams</u> - £181k underspend

- The underspend relates to the net position on the Local Investment Fund (LIF) for which a bid will be made to carry forward any unspent funding.

<u>Management and Directorate Support</u> - £50k overspend

- The overspend is a combination of minor variations that mainly relate to additional staffing costs and unachieved income targets.

<u>Highways</u> - £140k underspend

- Highways have overachieved on the income budgets by £140k, and this is due to £495k over achievement of income for street permits and other income in Network Management. This is partly offset by £151k overspend on Accident and Trips due to a higher than forecast number of claims and increases in costs for Public Realm £94k and Street Lighting £110k.

5 b. Homelessness – Breakeven

Homelessness	Annual Budget £000	Net actual spend to date £'000	Projected Outturn £000	Projected Variance from Budget £000	Movement from Last Report £000
Singles Accommodation	2,720	2,194	2,796	76	76
B&B's (Room only)	4,053	8,047	4,618	565	0
Families Specialist Accommodation	323	282	192	(131)	78
Accommodation Total	7,096	10,523	7,606	510	154
Floating Support Service	1,995	1,450	1,659	(336)	43
Dispersed & Temporary Accommodation Management Fee	4,900	3,610	5,111	211	(242)
Dispersed Accommodation Total	6,895	5,060	6,770	-125	-199
Homeless Management	924	820	1,202	278	45
Homeless Assessment & Caseworkers	3,387	1,941	3,100	(287)	0
Homelessness PRS & Move On	1,639	1,022	1,277	(362)	0
Rough Sleepers Outreach	443	118	443	0	0
Tenancy Compliance	161	131	120	(41)	0
Homelessness Support Total	6,554	4,032	6,142	(412)	45
Commissioned Services	7,867	7,178	7,894	27	0
Commissioned Services Total	7,867	7,178	7,894	27	0
Asylum	63	(94)	63	0	0
Asylum Total	63	(94)	63	0	0
Total	**28,475**	**26,699**	**28,475**	**0**	**0**

Homelessness - Financial Headlines

The reported position for Period 9 is a net breakeven position. The Homelessness budgets remain a high-risk area with significant demand pressures. The Housing Solutions Service introduced, in December 2022, a programme of manager case checks on live homeless applications to ensure that cases are being progressed appropriately, Housing Solutions Officers have the necessary support with cases, homeless prevention and relief options are being identified with the ultimate result being temporary accommodation placements not needing to be made. The aim, from January 2023 onwards, is to carry out 300 case checks per week. The service, based on 6,525 per year, receives around 125 new homeless applications per week. The Housing Solutions service currently has approximately 1,850 live homeless applications. The target will ensure that by the end of March 2023 the Housing Solutions Service has the necessary understanding of case detail. This is expected to impact positively on the numbers in B&B and Dispersed Accommodation and is a key component of reducing expenditure in homelessness in the coming months and into the next financial year as the focus on prevention ends the routine use of B&B.

In addition to the Casework a number of Leasing schemes have been proposed, the details of which are being worked through with senior colleagues in MCC. Alongside the intensive prevention work, the three schemes which are designed to remove the need for routine B&B usage are;

- A 5 year leasing scheme developed by MCC to bring online 200 Temporary Accommodation properties in the coming months, final details of the proposal are being worked through and key decision has been published.

- A 5 year leasing scheme with GMCA, GMCA have secured £3.9m of funding from DLHUC to deliver 200 units of Settled Accommodation for those with the highest B&B need in GM. MCC are likely to receive between £1.9m and £3m, details of which are being worked through with GMCA.
- A 5 year leasing scheme for singles in Temporary Accommodation with DLUHC, likely funding from DLUHC of £1.1m and details are being worked through with DLUHC.

The assumptions within the breakeven reported forecast include;

- Numbers in Temporary Accommodation at the end of December 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 unless start dates have been confirmed, where Agency spend is incurred to cover vacancies this has been assumed to continue at a cost of £482k for the year. Workforce budgets in Homelessness are forecast to underspend by £251k.
- Current cost pressures in B&Bs remain until March 2023.

Overview of main cost drivers in Homelessness:

- Accommodation. Driven by the cost pressure in B&B - The average number of families placed in B&Bs in December was 218, with 508 singles in B&B accommodation. 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. The current net cost of B&B provision is £250k per week. A key feature of the current transformation programme is focussing on supporting people in their current accommodation and avoiding the need for people to move into temporary accommodation unnecessarily
- Dispersed Accommodation. 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. The shortfall for a 1-bedroom property is £60 per week, £86 for a 2-bedroom property, £92 for a 3-bedroom property increasing to £94 per week for a 4-bedroom property. Placements at the end of December were 1,608. 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.

5c. Housing delivery and HRA –

Housing Revenue Account	Annual Budget	Net Actual	Projected Outturn	Projected Variance from Budget	Movement since last report
	£000	£000	£000	£000	£000
Housing Rents	(63,713)	(37,574)	(62,836)	877	(49)
Heating Income	(681)	(237)	(681)	0	0
PFI (Private Finance Initiative) Credit	(23,374)	(11,687)	(23,374)	0	0
Other Income	(979)	(557)	(1,022)	(43)	0
Funding from General/MRR Reserves	(13,188)	0	(13,188)	0	0
Total Income	**(101,935)**	**(50,055)**	**(101,101)**	**834**	**(49)**
Operational Housing R&M & Management Costs	24,038	13,168	30,621	6,583	(30)
PFI Contractor Payments	31,942	17,776	32,591	649	0
Communal Heating	1,019	52	3,195	2,176	(88)
Supervision and Management	6,604	2,608	5,720	(884)	(831)
Contribution to Bad Debts	640	40	569	(71)	0
Depreciation	18,991	0	18,991	0	0

Other Expenditure	1,463	337	1,327	(136)	(121)
Revenue Contribution to Capital Outlay (RCCO)	14,508	0	10,224	(4,284)	1,472
Interest Payable and similar charges	2,730	0	2,730	0	0
Total Expenditure	**101,935**	**33,981**	**105,968**	**4,033**	**402**
Total HRA	**0**	**(16,074)**	**4,867**	**4,867**	**353**
Movement in General/MRR Reserves	Opening Balance	Budgeted Adjustment	Forecast Closing Balance	Additional Adjustment	Revised Forecast Closing Bal
	78,052	(13,188)	64,864	(4,867)	59,997

Housing Revenue Account - Financial Headlines

The HRA expenditure budget for 2022/23 is c£102m and includes forecast capital investment of c£33m. As part of the approved budget a contribution from reserves of £13.188m was approved to contribute to the funding of this capital investment. The forecast outturn position shows that there is an overspend of £4.867m, which will be funded from reserves and is made up as follows:

Overspends of £10.285m:

- Rent collection - there is an adverse impact of £0.877m due to the current number of void properties (c1.96% year to date, against a budget of 1% void loss). 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. Right to Buys are reducing and are currently at 1.52% for the year to date against a budgeted 1.25%.
- The operational cost of the service presents a current financial pressure of £6.583m. This is due to c£1.4m management costs, and c£4.2m Repairs and Maintenance costs due to a combination of inflation and an increase in the number of voids being processed. There is also a forecast £0.9m overspend due to legal disrepair claims.
- The significant increase in energy costs, estimated at £2.176m greater than the original budget of £1.019m. These are offset by heating charges, but for 2022-23 the increase in charges was capped at 20%, with the plan being to smooth the impact over a number of years. However, actual costs have increased by in excess of 300% rather that the 80% forecast at the time. Consideration will need to be given to the recovery plan as part of the 2023-24 budget setting process.
- Increased PFI contractor payments £0.649m – 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.

Offset by Underspends of £5.418m:

- Reduced RCCO costs £4.284m – based on the latest estimates of capital spend being lower than budgeted, and some funding switched to include the use of receipts.
- Reduced contribution to bad debts £71k.
- Supervision and Management costs £0.884m - sprinkler works on PFIs now moved into 2023-24.
- Other Income £43k
- Council Tax charges – forecast reduced by £121k, links into void and empty properties.
- 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 on the operation of the account and will ultimately need to be covered through rents or reduced expenditure over the long term. 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. Government have put in place a 7% cap on rent increases for 2023-24 for non PFI properties, and 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 £18.055m will be transferred from reserves at year end, leaving £59.997m in the HRA General Reserve at the end of the year.

Growth and Development

5a. Growth & Development overall - £0.625m underspend

Growth & Development	Annual Budget £000	Net actual spend to date £000	Projected Outturn £000	Variance from budget £000	Movement since last report
Investment Estate	(12,536)	(12,549)	(13,488)	(952)	0
Manchester Creative Digital Assets (MCDA)	0	412	474	474	0
Growth & Development	160	232	160	0	0
City Centre Regeneration	1,059	725	959	(100)	0
Housing & Major Regeneration	1,216	1,720	1,300	84	46
Planning, Building Control & Licensing	(621)	(1,433)	(605)	16	0
Work & Skills	1,950	1,328	1,803	(147)	(147)
Manchester Adult Education Service (MAES)	0	(246)	0	0	0
Our Town Hall Project	0	745	0	0	0
Total Growth & Development	(8,772)	(9,066)	(9,397)	(625)	(101)

Growth and Development - Financial Headlines

Overview of main variances – £0.625m Underspend

Growth & Development is forecasting a net underspend of £0.625m, and the main variances are as follows: -

- **Investment Estate - underspend of £0.952m**

  Additional income is forecast from a number of areas within the Investment Estate as follows:

  - Additional Income Wythenshawe Town Centre £470k - there has been a reduction in turnover rent (turnover based on previous years), but the recent a purchase of the property included a provision for payment of previous years rents.
  - The Arndale Centre –the latest income forecast indicates a c£290k surplus, this is mainly due to a payment of £400k from 2020/21.

  There are also staffing savings of £120k, and net additional income from across the estate (including Industrial sites, let land, Shops and Car Parks) of c£1.15m, largely following a series of rent reviews. However, this is largely offset by an increased need for bad debt provision of £0.86m.

  Finally there is a pressure of £215k at the former Barclays Computer centre due to holding costs following purchase as there are no current tenants.

- **MCDA (Manchester Creative Digital Assets) – overspend of £474k –** due to a combination of reduced income and increased utility costs.
- **City Centre Regeneration – underspend of £100k** – anticipated underspend on project costs, offset by pressures on staffing budgets.
- **Housing & Major Regeneration – overspend of £84k –** Pressures of £144k, including a loss of £94k income funding posts, are offset by £60k of other staffing savings.
- **Planning, Licensing and Building Control – overspend £16k -** Planning and Building Control income is currently below target, but staffing underspends mean that the forecast drawdown from the Planning reserve is only £25k (budget £326k).
- **Work & Skills – underspend of £147k** - this is due to expenditure that has been agreed (delivered through partners), but is now expected to be spent in 2023-24. Carry forward requests will be put forward to ensure that these commitments can be met.
- **Manchester Adult Education Service (MAES) – breakeven -** The current forecast is that £90k will be required from the reserve.

Corporate Core – £0.808m underspend

Chief Executives	Annual Budget £000	Net actual spend to date £000	Outturn £000	Variance £000	Movement since last report £000
Coroners and Registrars	2,377	1,409	2,101	(276)	0
Elections	1,506	2,242	1,506	0	0
Legal Services	9,955	9,046	9,907	(48)	222
Communications	3,447	2,354	3,413	(34)	0
Executive	984	707	966	(18)	(18)
Legal, Comms, Democratic Statutory Sub Total	18,269	15,758	17,893	(376)	204
Policy, Performance and Reform	14,494	13,698	14,308	(186)	(121)
Corporate Items	1,215	1402	1,215	0	0
Chief Executives Total	**33,978**	**30,858**	**33,416**	**(562)**	**83**

Corporate Services	Annual Budget £000	Net actual spend to date £000	Outturn £000	Variance £000	Movement since last report £000
Finance, Procurement, Commercial Gov.	8,193	6,333	7,858	(335)	(80)
Customer Services and Transactions	27,975	41,949	27,538	(437)	(85)
ICT (Information & Communication Technology)	15,877	13,077	16,214	337	0
Human Resources & OD (Organisational Development)	4,515	3,700	4,391	(124)	(124)
Audit, Risk and Resilience	1,455	1,002	1,425	(30)	0
Capital Progs, Operational Property, Facilities	21,899	13,321	22,242	343	403
Corporate Services Total	**79,914**	**79,382**	**79,668**	**(246)**	**114**
Total Corporate Core	**113,892**	**110,240**	**113,084**	**(808)**	**197**

Corporate Core - Financial Headlines

Corporate Core £0.808m 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 a £76k underspend on legal costs within Coroners.

- Legal Services £48k net underspend, mainly due to £0.520m 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 and an inflationary uplift for Members Allowances. It also includes a forecast £1m overspend in relation to children's services legal costs which is being funded by a transfer from reserves in 2022/23 as approved by Executive on the 22 July 2022, and there are £130k costs for Children's expert costs. The service has developed a plan around a recruitment drive to reduce external costs to mitigate this.
- Policy, Performance and Reform £186k underspend - there is reduced income on project activity £169k 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 £196k due to vacancies and an underspend on running costs of £159k.
- Finance, Procurement and Commercial Governance £335k underspend due to underspend on employee budgets £255k and £80k gas commission rebate from previous years.
- Customer Services and Transactions £437k underspend due to and staffing underspend of £115k and from additional income from clamping vehicles across the city which are illegally parked £222k. This income does not fall under the Traffic Management Regulation Act and is therefore un-ringfenced income. There is an underspend on food banks of £100k which the service would like to request a carry forward to 2023/24. Within Revenue and Benefits working is ongoing to review the subsidy and bad debt requirements which may result in a change to the breakeven position
- 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.
- Human Resources £124k underspend on employee budgets due to vacant posts.
- Capital Programmes - £343k overspend due to additional income in capital programmes £1.016m from major projects, £431k underspend on employees reduced by £312k legal costs , and £500k provision for settlement of an outstanding claim. , £18k legal fees and £12k supplies and services, increased security costs for Wythenshawe Hall £141k, increased rates £54k, increased metered water charges £221k delayed Operational Property savings £391k, security and other costs across the estate £141k.

The £197k adverse movement since P7 relates to:

- Legal Services annual inflationary uplift for Members Allowances £92k and children's expert costs £130k
- Policy and Performance underspend £121k of which £73k is requested as a carry forward to 2023/24 to fund project costs in 23/24.
- Finance, Procurement and Commercial Governance underspend £80k due to gas commission rebate
- Customer Service and Transactions £100k underspend on food banks which the service would like to request a carry forward to 2023/24
- Human Resources & OD £124k underspend on employee budgets and commissioning costs
- Capital Programmes, Operational Property and Facilities Management £312k legal costs, and £0.5m provision for historic claims, £18k legal costs, an increase in income of £273k and employee underspend £154k.

Directorate Savings Achievement - £1.3m medium risk (17%)

	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**	3,886	0	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**	**6,491**	**1,346**	**0**

Savings - Headlines

£7.837m approved savings:

- 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. All savings are now classed as Green. Through Better outcomes Better Lives demand management, the residual balance at P4 of £0.688m has now been allocated into the Older People Residential Care Budget. The return of one-off unspent direct payments and other variations detailed allows use of £4.5m of the £5.5m smoothing reserve to be deferred and remain protected for a further year to support the proposed savings programme 2023-26.

£1.346m are considered medium risk as follows:

- 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 and is aligned to the reopening of the Town Hall. A plan is being developed to ensure the delivery of the savings in 2023/2024
- Neighbourhoods - £225k – advertising income in relation to a proposed new advertising screen at Piccadilly Gardens is considered at moderate risk of being achieved this year. Discussions are ongoing with both the Events team and City Centre Regeneration around plans for the area and how a screen can potentially be integrated in the short term. Once agreed a planning application will be required, it is expected that this saving will be achieved in 2023/24 and is being covered by additional income in 2022/23.