

**Manchester City Council
Report for Resolution**

Report to: Executive – 26 July 2023

Subject: Revenue Monitoring to the end of May 2023

Report of: Deputy Chief Executive and City Treasurer

Purpose of the Report

The report outlines the projected outturn position for 2023/24, based on expenditure and income activity as at the end of May 2023 and future projections.

Recommendations

The Executive is requested to:

- (1) Note the global revenue monitoring report and forecast outturn position which is showing a £8.732m overspend.
 - (2) Approve budget virements to be reflected in the budget (para. 2.7).
 - (3) Approve the use of additional revenue grant funding (para. 2.8).
 - (4) Approve the use of additional capital grant and match-funding by capital receipts (para. 2.9).
 - (5) Approve the use of budgets to be allocated, (para. 2.10 to 2.13).
 - (6) Approve the use of reserves (para 2.14).
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Wards Affected: All

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| Environmental Impact Assessment - the impact of the issues addressed in this report on achieving the zero-carbon target for the city |
| The budget reflects the fact that the Council has declared a climate emergency by making carbon reduction a key consideration in the Council’s planning and budget proposals. |

| Our Manchester Strategy Outcomes | Summary of the contribution to the strategy |
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| A thriving and sustainable city: supporting a diverse and distinctive economy that creates jobs and opportunities. | The effective use of resources underpins the Council’s activities in support of its strategic priorities. |
| A highly skilled city: world class and home grown talent sustaining the city’s economic success. | |

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| A progressive and equitable city: making a positive contribution by unlocking the potential of our communities. | |
| A liveable and low carbon city: a destination of choice to live, visit and work. | |
| A connected city: world class infrastructure and connectivity to drive growth. | |

Implications for:

- Equal Opportunities Policy – there are no specific Equal Opportunities implications contained within this report.
- Risk Management – as detailed in the report.
- Legal Considerations – there are no specific legal considerations contained within the report.

Financial Consequences – Revenue

The report identifies a forecast overspend of £8.732m for 2023/24, based on activity to date and projected trends in income and expenditure, government funding confirmed to date and other changes.

This report focuses on 2023/24, however with the scale of funding pressures and future resource constraints, it is important that the Council holds a robust position on reserves and maintains the ability to deal with issues that arise during the financial year.

Financial Consequences – Capital

The proposals in this report would increase the capital budget by £2.5m for the second round of funding for the Local Authority Housing Fund. This will be funded from £1.120m of grant, and £1.380m of capital receipts. This is currently going through the capital approval process.

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Background documents (available for public inspection):

The following documents disclose important facts on which the report is based and have been relied upon in preparing the report. Copies of the background documents are available up to 4 years after the date of the meeting. If you would like a copy please contact one of the contact officers above.

[Revenue Budget Report – Executive Meeting February 2023](#)

1.0 Introduction

- 1.1. This report provides an overview of the Council's current financial position for 2023/24. The forecast position for 2023/24 is an overspend of £8.732m.

2.0 Financial position 2023/24

- 2.1 The current budget monitoring forecast is an overspend of £8.732m. There are considerable risks to the position relating to the impact of rising demand and increasing costs. The main pressures are being felt in the social care budgets reflecting the national pressures in the health and social care sector and trends being experienced across local authorities
- 2.2 There is a £5.2m overspend in Adult Social care which is largely in the provision of long term care arrangements. Demand is above the 2023/24 budget assumptions, notably for older people residential and nursing care and homecare and on supported accommodation for people with learning disabilities and physical disabilities. Whilst strong progress on the approach to reduce demand through 'prevent, reduce and delay' is being made through the Better Outcomes Better Lives (BOBL) initiative, there will be significant challenges on the budget in 2023/24. However, it is unlikely that the additional demand management savings (£5.5m) envisaged from client social care packages will be delivered. A response plan is in development through Manchester Local Care Organisation (MLCO) Finance Performance Steering Group and the outcomes of this will be included in the next Global Monitoring Report.
- 2.3 The forecast £2.7m overspend in Children's Services is largely due to an increase in external residential placement costs. The directorate has a mitigation plan in place which has reduced the forecast overspend from £5.1m to £2.7m by the end of this financial year. Further in year mitigations are being explored. Investment in provision for those children with higher levels of needs is underway as set out in the Children's Services Budget Report. Once this work is complete this should reduce some of the pressures on the external residential care budgets.
- 2.4 The main variations in the other service departments total £0.8m and are made up of overspends of £0.7m in Neighbourhood Services, due to ongoing income pressures in markets and overspends in Parks, Leisure and Youth from income losses at the Manchester Aquatic Centre (MAC) car park and Abraham Moss; £0.5m in Corporate Core mainly due to the additional costs of running the May 2023 Elections with the introduction of voter identification requirements. These are offset by underspends of £270k in Public Health, arising from vacant posts and maximising external funding; and £151k in Growth and Development due to only have part year costs of staff in the new infrastructure investment team.
- 2.5 £25.2m of savings were agreed as part of the budget process. Of these £15.1m (60%) are on track for delivery, £1.8m (7%) are risk rated medium, and £8.3m (33%) rated high risk in terms of the likelihood of delivery. Officers are working to identify alternative savings where original plans may not be achieved or delayed. The red rated savings are in social care.

2.6 Full details about the key budget forecasts and variances by Directorate are provided at Appendix 1. The forecast position includes the recommended budget increases for additional funding and the allocation of inflation funding set out below for the consideration and approval of Executive.

Virements

2.7 The following budget virements are presented for approval

- Pension Saving – The approved budget included a saving of £2.950m from reduced pension costs. £0.519m has been met through a reduction in the Corporate additional allowances budget to reflect the reduced number of recipients. The remaining £2.431m has been achieved through the 0.7% reduction in the pension contribution rate. The reduced rate is a result of the recent actuarial valuation of the Greater Manchester Pension Fund. Service budgets have been adjusted to reflect the reduced employer pension contribution costs as follows:
 - Corporate Core - £0.668m
 - Adult Social Care - £0.602m
 - Children's - £0.572m
 - Neighbourhoods - £493k
 - Growth and Development - £63k
 - Public Health - £33k
- The transfer of Workplace Adjustment Hub budgets from HROD to Audit, Risk and Resilience - £250k. The workplace adjustment hub has been set up and there are a number of posts delivering this which sit within the Health and Safety team within Audit, Risk and Resilience.
- The transfer of £0.580m budget relating to Zero Carbon from Policy and Partnerships. This is part of the budget increase agreed in 2022/23 to increase capacity to deliver our zero carbon objectives. The funding has been allocated to the posts that are delivering the Climate Change Action Plan (CCAP) priorities as follows:
 - HROD - £218k
 - Housing and Residential Growth - £131k
 - Procurement and Commissioning - £124k
 - City Centre Regeneration - £107k
- The approved budget included £3.5m to support residents through the cost-of-living crisis. The budget was originally held against Revenues and Benefits budget whilst plans were developed. It is now requested this is applied to the following services where Cost of Living Measures will be implemented:
 - Revenue and Benefits £1.3m - to increase existing support to residents through Welfare Provision and Discretionary Housing payments
 - Neighbourhood Teams £1.0m - Food response service
 - Core - Policy and Partnerships £0.6m - support to voluntary and community groups
 - Public Health £250k - Community Health Equity for Manchester support to community groups
 - Homelessness £250k - additional advice offer to support residents
 - Libraries, Galleries and Culture £45k - to support digital inclusion

- Core - Communications £40k - communications and engagement to residents
- The transfer of the Community Development Team 'Buzz' Budgets from Public Health to Neighbourhoods - £0.817m. This is the transfer of the Community Development Team from Greater Manchester Mental Health NHS Foundation Trust, formerly commissioned by Public Health to now be delivered in house by MCC's Neighbourhood Services Directorate.
- The transfer of Equality, Diversion and Inclusion to Public Health - £304k. A report was approved on the 19 October 2022 to create a joint Director of Equalities Inclusion and Engagement with the NHS. Following this appointment, it was agreed that the existing Equality, Diversion and Inclusion team should transfer under this post within Public Health.
- The transfer of budgets between Capital Financing budgets and Service Budgets to simplify accounting arrangements. There is c£3.582m of revenue activity currently funded from capital financing budgets on an annual basis, and similarly there are recharges of c£7.293m from service budgets to pay down capital financing costs for schemes which have previously been funded from borrowing on an invest to save basis. Transferring the budgets reduces the number of recharges required across the organisation – net change to Service budgets (£3.711m).

Additional Revenue Grants

2.8 Since the 2023/24 budget was approved there have been additional grant notifications which are now reflected in the revised budget as follows:

- S31 Grant Family Hubs and Start for Life programme 2023-24 - £2.2m. In October 2021 the government announced £301.75 million for 75 upper tier local authorities in England to deliver Start for Life and family services over 3 financial years (FY), 2022-23 to 2024-25. The programme's core objective is to improve the universal Start for Life offer and transform the delivery of family services in local authority areas with the highest levels of deprivation and disproportionately poor health and educational outcomes, to support the government's levelling up ambitions. Manchester Allocation is £2,235,176 for 2023-24. There is already £1.654m built in the budget.
- In the 2023 Spring Budget Local Authorities were notified that additional of Early Years funding (within DSG) of £204 million in 2023-24 and £288 million in 2024-25. In order to increase the amount of funding paid to childcare providers for the existing childcare entitlement offers and other early years funding streams. As a result of this funding, funding rates to local authorities by an average of 32%, for the current 2-year-old entitlement, and an average of 6.3% for the 3-and-4-year-old entitlements, compared with the current 2023-24 rates. The detail is being worked through on what it means for our providers.
- Homelessness Prevention Grant Top-up 2023/24 - £0.969m. In England, the funding will be provided to local authorities as a top-up to the Homelessness Prevention Grant (HPG) and is allocated 66% based on the existing Homelessness Prevention Grant allocations and 34% based on Homes for Ukraine arrivals.

- Council Tax Energy Rebate scheme administration - £317k. To offset the costs incurred in facilitating the Core and Discretionary schemes. This includes the cost of agency call centre staff, postage and printing charges, IT development and software charges and the administration charges associated with enabling redeemable Post Office vouchers.
- New Burden's funding – Elections - £159k. The introduction of the Electoral Integrity Programme has placed a burden on all local authorities in various ways, including, for example, the time administrative staff will need to process applications for Voter Authority Certificates, additional equipment that may be required for some offices or polling stations, and additional poll clerks that may need to be required for polling day. DLUHC is therefore responsible for providing local authorities with funding for this additional burden. Elections will need to access this funding to achieve the aims of the Elections Act 2022
- UK shared prosperity fund – communities and place theme £0.648m in 2023/24 and £175k in 2024/25. The Withington Village Strategic Framework identified a number of key interventions to improve the town centre and the above projects aim to make public realm improvements, specifically to create high quality public space with improved green infrastructure, areas to rest and provide the town centre with an open space suitable to host local events. It will not only increase accessibility but provide resilience to current operators and potential for diversification and improve community cohesion.

Capital Grants

2.9 Notification of the following capital grant has been received, which will increase the capital programme:

- In March 2023, it was announced that the Local Authority Housing Fund would be expanded by £250 million for a second round of funding (LAHF R2), with the majority of the additional funding used to house those on Afghan resettlement schemes (ARAP/ACRS) currently in bridging accommodation and the rest used to ease wider homelessness pressures. Indicative funding of £1.120m has been allocated to Manchester as part of the Local Authority Housing Fund (Round 2) to purchase an additional 10 properties, this would require capital match funding of £1.380m which will be funded through HRA capital receipts.

Budgets to be allocated - Inflationary funding

- 2.10 When the budget was set in February 2023 a total of £14.3m was identified for price and electricity inflation. £2.2m was allocated to Children's for internal placements, £0.5m to Education Home to School Transport and £2.7m to Adults as a contribution to market sustainability. This left £8.8m available for inflation pressures which were to be quantified in year. This is held corporately and allocated in year once the costs are known and the business cases made.
- 2.11 Inflationary budget requests from Children's services totalling £2.442m are brought forward for approval as follows:

- Fostering and Residential Placements £2m - There are four regional purchasing systems in the North-West managed by Placements North-West, these include fostering, residential, supported accommodation and SEND provision. As part of a series of proposals to improve the sufficiency of placements for Looked After Children it has been agreed by NWADCS and Commissioning Managers to align the approach to uplifts across the four purchasing systems. Regionally it has been agreed that a 7.3% uplift would be applied to new fostering and residential placements. In addition, several providers have requested uplifts on existing placements. For Manchester the increased cost is £2.520m of which £0.520m will be funded through external contributions. The balance of £2m is requested from the corporate inflation provision.
- Home to school transport inflation £112k. The Home to School Transport Service continues to face challenges with significant operator cost rises being passed on to the service.
- Travel Passes - £35k. With significant increases in fuel costs and wages, Transport for Greater Manchester (TFGM) increased the cost of providing free travel passes by 6.2% to £391.40 per pass in September 2022. The full year impact of this is an additional £35k based on current passenger numbers
- Regional Adoption Agency - £83k. The Regional Adoption Agency is a partnership of 4 Local Authorities and Stockport is the lead Authority and Manchester pays a contribution to the partnership budgets. Individual Authorities contributions have increased by varying amounts depending on the formula and spend drivers. Manchester's contribution for 2023/24 is £1,821,768 compared to £1,738,483 in 2022/23 so a 4.8% increase. This increase in pressures includes an estimate of 4% for 2023/24 pay award, and the additional pay award for 2022/23 over and above what was budgeted, as well as some inflation on non- staffing budgets.
- Education Psychology uplift - £212k. Education Psychology services provided by One Education work with children and young people who are experiencing barriers to their successful learning and participation in settings, schools' colleges, and other activities. The daily rate of the EP contract is increasing by 12% from £625 to £700 from when this was last reviewed in 2021/22.

2.12 If the above requests are approved this will leave £6.4m in the corporate price and utilities inflation budget. Additional inflation requests are currently being considered and will be brought back to a future Executive meeting for approval. At this stage it is envisioned the known increased costs can be contained within the available inflationary budgets made available for 2023/24.

2.13 Allowance for a 6% pay increase was allowed for in the budget costing an estimated £15.6m. In February the National Employers offered a £1,925 pay increase from 1 April 2023 and 3.88% for those above the top of the pay spine. The estimated budget requirement to fund this offer for MCC staff is £15.5m for 2023/24, and therefore within the available budget. Should any pay award above this level be agreed, this will exceed the current provision in the budget. A 1% increase in pay award would costs c£2.6m.

Reserves

2.14 The following requests are for use of reserves:

- Collection Initiatives Reserve - GovTech automation - £311k in 2023/24 and £198k in 2024/25. The request for use of Collection Initiatives Reserve was reported in the Medium-Term Financial Strategy (Appendix 5: Reserve Strategy) on 15 February 2023. This is being reported again as costs and plans have now been confirmed. The reserve will be applied over two years for the implementation and supporting costs of GovTech software which will deliver efficiency through streamlining and automating back-office processes on the council tax and housing benefits/council tax support system. Additionally, an increase in council tax collection is anticipated due to more prompt and accurate billing and setting up of payment arrangements.

3.0 Conclusion

- 3.1 The current forecast is an overspend of £8.732m which reflects significant pressures in Long Term Adult Social Care and increased external residential costs for Looked After Children. It is very early in the financial year and vigilance is needed given there are significant uncertainties and risks to the position as cost of living and inflationary pressures could increase.
- 3.2 Any overspend this year will be a direct call on the General Fund reserve which would need to be reimbursed in future years, therefore it is important mitigations are identified to bring forecast spend back in line with the available budget.